# CITY OF WATAUGA, TEXAS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## For the Fiscal Year Ended September 30, 2016

## PREPARED BY

## THE CITY OF WATAUGA

## FINANCE DEPARTMENT

# CITY OF WATAUGA, TEXAS
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## Year Ended September 30, 2016

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# CITY OF WATAUGA, TEXAS
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## Year Ended September 30, 2016

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# INTRODUCTORY SECTION

WATAUGA
TEXAS
"A GREAT PLACE TO LIVE"

February 27, 2017

**TO: Honorable Mayor Hector F. Garcia and**
**Members of the City Council**
**Citizens of the City of Watauga, Texas**

It is with pleasure that we submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Watauga for the fiscal year ended September 30, 2016. We encourage you to thoroughly read this report and take the opportunity to discuss some of the important items it addresses.

As required by City of Watauga Charter Section 9.06 (C) and various other obligations including, but not limited to, bond covenants, "At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant. Upon completion of the audit, the results thereof in a summary form shall be placed on file in the City Secretary's office as a public record." Financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City of Watauga has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the City of Watauga's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Whitley Penn, LLP, a firm of licensed certified public accountants headquartered in Ft. Worth, Texas, audited the City of Watauga financial statements. The goal of the independent auditors was to provide reasonable assurance that the financial statements of the City of Watauga for the fiscal year ended September 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Watauga's financial statements for the fiscal year ended September 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.


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**Document Layout**

We hope that you will find the information in this document helpful in reviewing the financial position of the City of Watauga for the fiscal year ended September 30, 2016. The Comprehensive Annual Financial Report (CAFR) is presented in three sections:

- The Introductory Section, which is unaudited, includes this transmittal letter, GFOA Certificate, the City's Organizational Chart, and a list of principal officials. This section is designed to provide an overview and general understanding of the report.

- The Financial Section provides a detailed presentation of the financial position and results of operations for the fiscal year ended September 30, 2016. The financial section is divided into four main subsections:

    - Management's Discussion and Analysis (MD&A)
    - Basic Financial Statements and related notes
    - Required Supplementary Information
    - Combining and Individual Fund Financial Statements

- The Statistical Section, which is unaudited, includes selected financial and other data designed to present social, economic and financial trends of the City, providing an overall view of the fiscal capacity of the City.

This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. Readers are encouraged to pay particular attention to the Management's Discussion and Analysis (MD&A). The City of Watauga's MD&A can be found immediately following the report of the independent auditors and provides valuable analysis and explanation of the financial statements.

This report includes all of the funds and account groups of the City. It also includes all activities over which the City is considered to be financially accountable.

The Watauga Parks Development Corporation Sales Tax Fund was established to account for a ½ cent sales tax increase approved by voters in May 1994. The purpose of the increase in sales tax is to build City parks and improve existing parks under the supervision of the Watauga Parks Development Corporation Board of Directors. In May, 2012, Watauga voters approved a reallocation of ¼ cent sales tax to provide for street maintenance of existing streets. The ¼ cent reallocation for street maintenance was effective October 1, 2012 and was reauthorized in 2016 by voters. Voters must reauthorize the street maintenance sales tax every four years in order for it to continue.

The Watauga Crime Control and Prevention District Fund was established to account for a ½ cent sales tax increase approved by voters in March 1996. In November 2010, the voters approved a ten-year term extension for the District, which now expires in 2021. The purpose of the increase in sales tax is to enhance law enforcement in the City of Watauga. The additional funding is used to add officers and purchase additional equipment and supplies for law enforcement purposes.

The Birdville and the Keller Independent School Districts (ISDs) provide elementary and secondary education services within the City. The City is not financially accountable for the districts and, accordingly, financial data for the school districts are not included in this report.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are grouped by type in the financial statements.

As of September 30, 2016, there were twenty-six (26) funds, of which some are combined for reporting purposes bringing the number to seventeen (17) funds. A description of the major funds or groups of funds follows:

The **General Fund** is used to account for all financial resources, except those accounted for in another fund.

**Debt Service Funds** are used to account for resources used in the payment of principal and interest on the City's general obligation bonds and other general indebtedness.

**Capital Projects Funds** are used to finance construction costs on authorized capital projects and payments for the acquisition of equipment purchased with contractual obligation proceeds.

The **Storm Drainage Utility Enterprise Fund** is used to account for revenues and expenses related to the operations and maintenance of the City's drainage utility system.

**Water/Sewer Utility Funds** are used to account for revenues and expenses related to the Water/Sewer utility system, including a Water/Sewer construction fund used to finance construction costs on authorized utility projects.

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for a particular purpose**.** The Street Maintenance Fund is used to account for the ¼ cent sales tax originally approved by voters in May, 2012, and reauthorized by voters in May, 2016, for street maintenance of existing streets, a ¼ cent sales tax for parks, and a fund to account for the ½ cent sales tax increase approved by voters in March 1996, reapproved by voters in 2001 and 2010 for a ten-year period, for crime control and prevention, a fund to account for public donations made to the City specifically for the benefit of the public library, a fund to account for the $3 per offense fee approved by council in 1999 to be used for updating the Municipal Court security, a fund to account for the $4 per offense fee approved by Council in 1999 to be used for updating technology in the Municipal Court, a fund to account for the $5 fee for each violation, except parking, approved by Council in September 2008 to support the Juvenile Case Manager, a Traffic Safety Fund to account for receipts from the Red Light Ticket Program, a Watauga Parks Development Corporation Construction Fund used to account for the acquisition and construction of major capital park facilities and equipment funded with resources from sales tax and sales tax revenue bonds in the Park Development Debt Service Fund and revenues generated from sale of property owned by the Parks Development Corporation, and an Equipment Replacement Fund used to purchase various replacement capital items in the City.

The various funds and account groups presented in this financial report were created under the authority of the Charter of the City of Watauga, Texas, as amended up to and including May 11, 2013, and additionally, by the authority of the State of Texas as outlined in Vernon's Annotated Civil Statutes. A description of the funds used by the City and their purpose and the basis of accounting for transactions can be found in Note 1 of the Notes to General Purpose Financial Statements.

**Profile of the City of Watauga, Texas**

The City of Watauga is located in Tarrant County, one of the fastest growing counties in Texas, approximately 10 miles northeast of downtown Fort Worth and 25 miles northwest of downtown Dallas. The City's corporate boundary comprises a total of approximately 4 square miles and is approximately 96% developed. Watauga's population as established by the 2010 U.S. Census was 23,497 and was estimated by the North Central Texas Council of Governments at 23,600 as of January, 2016.

The City of Watauga Home Rule charter was adopted on January 19, 1980. The City operates under a Mayor-Council-Manager form of government, with the Governing Body comprised of eight members including the Mayor. Note: The Mayor does not vote unless there is a tie vote, and the Mayor has veto authority. All seven Council members are elected by place number. Due to an amendment in the home rule charter in 1996, the term of office was changed from two-year terms to three-year terms. However, terms were changed back to two-year terms in 2005 by another amendment. The Governing Body is responsible for adopting ordinances and regulations governing the City, adopting the budget, determining policies, and appointing the City Manager, City Attorney, Municipal Court Judge, City Secretary, Department Heads, as well as members of boards and commissions. The City Manager is responsible to the Governing Body Council for appointing and supervising employees of the City (except for those appointed by the Government Body) and for preparing and administering the annual budget and capital improvement program (CIP).

The primary government provides a full range of services including general government administration, police and fire protection, emergency ambulance service, street maintenance, building inspection services, community development, library services, park and recreational activities, and the maintenance and operations of City-owned buildings. The City also has two enterprise funds for operations and management of its Drainage and Water/ Sewer Systems.

The City Charter requires the City Manager to submit a proposed budget for the fiscal year beginning October 1 to the City Council by August 1 each year, and provides for Council adoption of the budget by September 15. Prior to August 1, the City Manager and City department heads prepare expenditure/expense estimates for the remainder of the current fiscal year and for the ensuing fiscal year, and these are compared to estimates of revenue for the same periods. Included in the assessment is the Capital Improvements Projects or CIP program. This program is a five-year plan of major capital programs which may include infrastructure, equipment, buildings, land, or other major expenditures. Adjustments are made to the departmental expenditure/expense estimates as necessary to ensure that the proposed budget is balanced within total estimated income as required by the City Charter.

Following adoption of the budget by the City Council, the City Manager and department heads monitor expenditures/expenses and revenues throughout the year to ensure that the integrity of the budget is maintained. The Charter allows the City Manager to transfer appropriation balances among programs within a department, and provides for transfers of appropriation balances from one department to another upon approval of an ordinance by the City Council. The City Council may make amendments to the budget for unforeseen needs or emergencies. The City Manager is required to make monthly reports to the Council concerning the financial condition of the City.

## Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Watauga operates. Watauga is located in North Central Texas in Northeast Tarrant County, and is surrounded by the cities of Keller, Fort Worth, Haltom City, and North Richland Hills. The economy of the area is based upon diversified manufacturing and service industries, and agriculture. The twelve county Dallas-Fort Worth Metroplex has a total population of almost 6.9 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States. This area has experienced population growth of 8.2% since 2010. Economic conditions in the Metroplex continue to be influenced by the development and operation of the Dallas-Fort Worth International Airport, which is located only 10 miles to the southeast of Watauga. The airport, which celebrated its 42nd anniversary in 2016, covers approximately twenty-seven square miles and represents one of the largest facilities of its kind in the world. The airport provides in excess of 228,000 jobs and contributes over $37 billion to the local economy. (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2015 Comprehensive Annual Financial Report.)

New development is expected to be minimal as the City is approximately 96% developed. Thus our land use assumptions indicate that our maximum population should not be much more than 25,000 residents. The City is entering a phase where revenue growth will be slow, while requests for services and infrastructure replacement for streets and utility needs will increase. The City is now focusing on redevelopment and revitalization. This redevelopment and revitalization program was put in place in the FY2013-14 fiscal year and funding is continued for budget year 2016-17.

## Long-Term Financial Planning

The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2016-17 and subsequent years. Working within the framework of current financial constraints, the City will focus on infrastructure needs such as upgrades/maintenance of the water/sewer system, street projects and drainage projects in the upcoming fiscal year and beyond. The City updated its comprehensive capital improvement document and a multi-year financial plan is being used as a tool to assist with long term planning. At the time of this report, the FY2017-18 Strategic Planning meetings are currently in progress and will be a necessary component of Watauga's ability to meet the infrastructure needs with existing resources into the future.

Fiscal policies provide for the General Fund reserve to not go below 25% of the General Fund expenditure budget. The current reserve is maintained at 46% of next year's budgeted expenditures. At the end of the current year, the City was in compliance with this policy.

## Major Initiatives

The City's 5-year Capital Improvement Plan (CIP) addresses the infrastructure needs throughout the City. Major drainage projects are underway that will be funded by Storm Drain Fund Revenues in the FY2017-21 fiscal years. There are several neighborhoods throughout the City in which residents have experienced flooding and drainage problems. The projects will provide drainage relief to prevent flooding and damage to residential homes in the area. The first of such projects was designed in FY2012-13 and commenced in FY15-16. Water and sewer improvement projects funded by a $7.73 million bond issuance in FY2012 will continue through FY2016-17. Improvements include replacing existing lines that will provide improved service to existing

customers and replacing existing lines that have been identified as being in poor condition. The sewer lines and manholes to be replaced will continue that were identified via smoke testing and CCTV inspection during FY2014-15. Many of the existing sewer lines to be replaced are undersized vitrified clay tile pipe that is cracking and allowing infiltration and inflow into the lines.

The street overlay and street maintenance program has been enhanced through the reallocation of ¼ cent sales tax from the Parks Development Corporation that voters approved in May, 2012. These sales tax dollars allow for the street program to be funded annually without reliance on the General Fund as the funding source. Through this reallocation, the Parks Development Corporation continues to have sufficient funding for operations, and planned projects will continue to be funded with the use of fund balance. A Parks Master Plan was completed in FY2015-16 identifying projects that the community considers priorities in future years. Projects currently in progress include additions of items such as shade structures and playground equipment in various parks. The $5.885 million 2016 Bond proceeds will provide funding for a splash pad, enhancement to the City's trail system, and various street projects. These projects are expected to begin in FY2016-17.

The City will continue to work toward the goal of enhancing the capabilities of the Police and Fire department, while maintaining existing citizen services. In FY2012, the City consolidated our jail and dispatch services with neighboring cities in order to decrease operational costs while providing increased levels of service.

The use of the Equipment Replacement Fund will continue for funding and purchases of equipment, vehicles, technology, and facility needs. In FY2013-14, the City enhanced the use of an Equipment Replacement Fund to level and plan the purchases of equipment and capital items that meet certain cost thresholds and a minimum useful life. This use of the Equipment Replacement Fund was further expanded in FY2014-15 to include the financing of legacy equipment.

**Awards and Acknowledgements**. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga for its comprehensive annual financial report for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Watauga has received a Certificate of Achievement for the last thirty-one consecutive years. We believe that our current comprehensive annual financial report continues to meet to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for our annual budget document for the fiscal year beginning October 1, 2015. This is the twenty-seventh consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient

in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City of Watauga has also recently received its sixth consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional guidance in developing an investment policy and to recognize outstanding examples of written investment policies. This is awarded to those entities that have developed an Investment policy, which meets established criteria. The Certificate is awarded for two years and then may be renewed upon review. Only 55 other entities have received this award.

In conclusion, we wish to thank the City Council for their continued leadership and support in planning and conducting the financial operations of our City in a responsible and efficient manner. We also want to thank each person who has contributed to the preparation of this comprehensive annual financial report and the financial achievements reflected herein. And finally, we wish to express our appreciation to each City employee for his or her loyalty and dedication, as demonstrated during the past fiscal year.

Respectfully submitted,

Greg Vick
City Manager

Sandra Gibson, CGFO
Director of Finance & Administration

# CITY OF WATAUGA, TEXAS
## PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2016

| Elected Officials | Position | Term Expires |
|---|---|---|
| Hector Garcia | Mayor | 2017 |
| Hal Gerhardt | Mayor Pro Tem, Council Member - Place 1 | 2018 |
| Brandon Krausse | Council Member - Place 2 | 2018 |
| Lee Griffin | Council Member - Place 3 | 2017 |
| James Wright | Council Member - Place 4 | 2017 |
| Melva Clark | Council Member - Place 5 | 2017 |
| Patrick Shelbourne | Council Member - Place 6 | 2018 |
| Robert Davis | Council Member - Place 7 | 2018 |

| Appointed Officials | Position |
|---|---|
| Greg Vick | City Manager |
| Mark G. Daniel | City Attorney |
| Zolaina Parker | City Secretary |
| Paul Hackleman | Public Works Director |
| Lana Ewell | Library Director |
| Sal Torres | Parks and Community Services Director |
| Glen Fowler | Police Chief |
| Bill Crawford | Fire Chief |
| Sandra Gibson | Director of Finance and Administration |

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Watauga**

**Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**September 30, 2015**

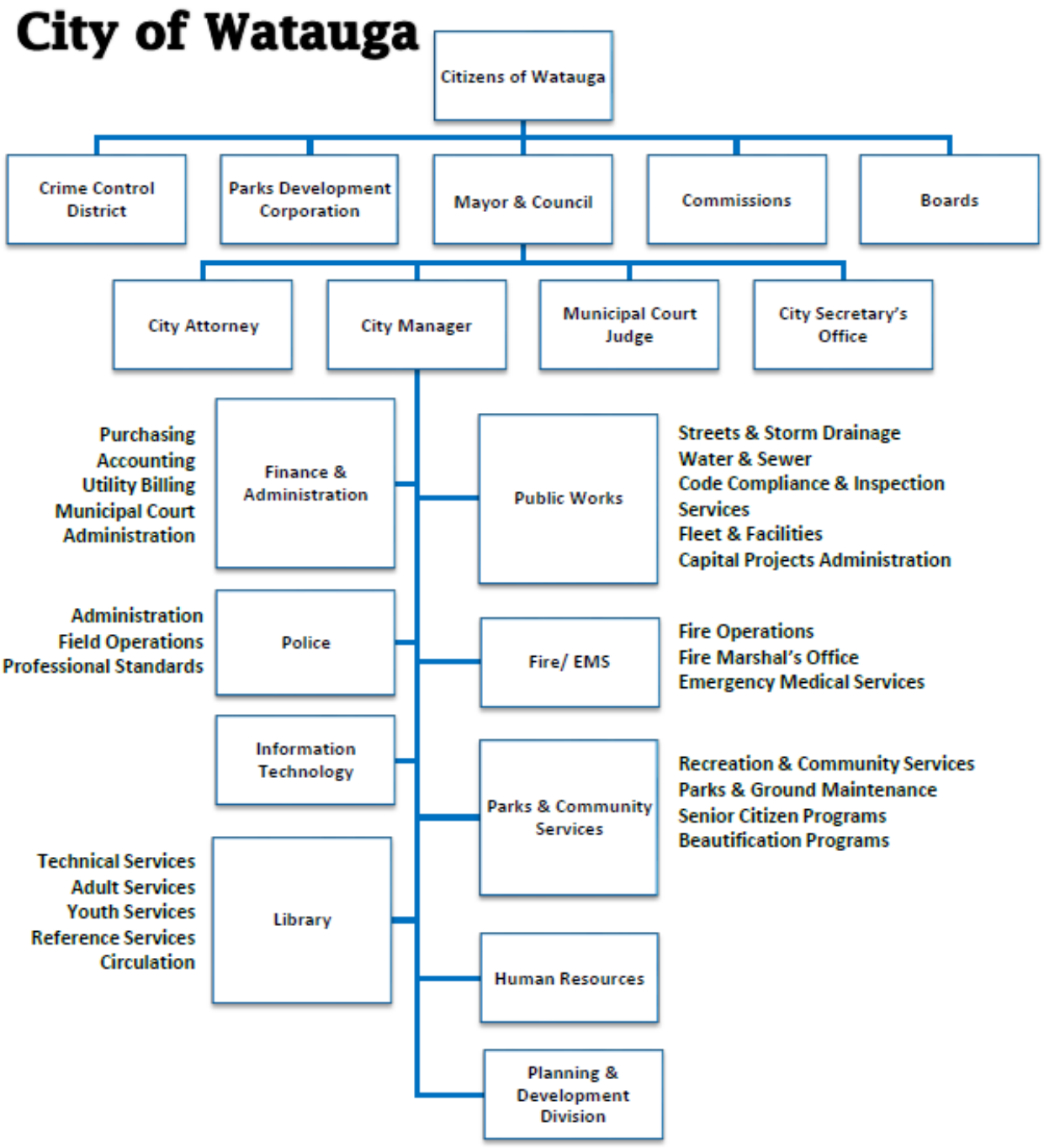
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2015. The City of Watauga has received the Certificate of Achievement, which is a prestigious national award, for the last thirty-one consecutive years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

# ORGANIZATIONAL CHART



# FINANCIAL SECTION

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# INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Watauga, Texas

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Watauga, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 11, pension information on pages 49 to 50, and budgetary comparison information on pages 51 to 52, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund statements and schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the introductory section and statistical section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Whitley Penn LLP

Houston, Texas
February 16, 2017

On behalf of City Council, we, as management of the City of Watauga, offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2016. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focus on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Have net position or fund balances of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section which can be found on pages i-vii and pages 73-93 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at www.cowtx.org.

Please note that the Report of Independent Auditors describes the auditor's association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited.

**Financial Highlights – See Tables 1-4 and Figures 1-2 in Appendices**

- At September 30, 2016, Government-Wide Total Assets and Deferred Outflows of Resources exceeded Total Liabilities and Deferred Inflows of Resources by $69,108,622 (Net position) or an increase of $1,450,414 over the prior year as a result of operations.

- Of the Total Government-Wide Net Position, $7,446,744 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of $1,560,016 from the prior year. This was primarily due to completion of construction projects and subsequent increase in net investment in capital assets.

- Governmental Activities Total Net Position increased by $22,987 as a result of operations due to an increase in charges for services.

- Total Governmental Funds ending balance was $17,523,121, an increase of $4,384,756 due primarily to issuance of new debt during the fiscal year. The Unassigned General Fund balance is $5,274,387 or 46% of total General Fund expenditures.

- Business-Type Activities Total Net Position increased by $1,427,427 as a result of operations due primarily to an increase in charges for services.

- The City's total long-term debt increased from $26,592,221 to $29,509,935 or 10.9% due to issuance of certificates of obligation in the amount of $5,885,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS

We intend this discussion and analysis to serve as an introduction to the City of Watauga's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Watauga's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Watauga that are 1) principally supported by taxes and intergovernmental revenues (governmental activities), and 2) functions that are intended to recover all or a significant portion of their costs through their user fees and charges (proprietary or business-type activities). The governmental activities of the City include General Government, Police, Fire/EMS, Culture and Recreation, and Public Works. The proprietary or business-type activities of the City include Water/Sewer and Drainage system activities.

The government-wide financial statements include not only the City of Watauga, itself (known as the primary government), but also include the Watauga Parks Development Corporation (WPDC) and the Watauga Crime Control and Prevention District (WCCPD), which are legally separate but financially accountable to the City. A blended presentation is used to report the financial information of these component units. The financial information for the individual component units is available from the City.

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and an (3) internal service.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures

and Changes in Fund Balances for the General, and Debt Service funds, which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Proprietary Funds.** The City maintains two major proprietary or enterprise funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer and Drainage activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for some of its equipment replacement. Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water/Sewer and Drainage, both of which are considered to be major funds of the City. The Internal Service Fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-46 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) can be found on pages 49-52 of this report.

The combining statements referred to earlier in connection with non major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found on pages 56-69 of this report.

**Government-Wide Financial Analysis**

Total Assets of the City are $106,874,103. Capital assets, net of depreciation, represent the largest portion of the City's assets ($76,651,267, or 71.7%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2016, the City of Watauga's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $69,108,622 (Net Position).

The City's Net Investment in Capital Assets is $61,290,019. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is $371,859, or 0.5% of total net position, and represents resources that are subject to external restrictions on how they may be used. The remaining balance of total net position is unrestricted

($7,446,744 or 10.8%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of $1,450,414 in total net position during the fiscal year as a result of the City's operations. Governmental activities showed an increase of $22,987, while Business-type activities showed an increase of $1,427,427 as a result of the City's operations.

## Table 1

## Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | $ 20,417,837 | $ 15,479,333 | $ 9,804,999 | $ 13,559,088 | $ 30,222,836 | $ 29,038,421 |
| Capital assets | 46,338,528 | 46,038,775 | 30,312,739 | 26,060,472 | 76,651,267 | 72,099,247 |
| **Total Assets** | 66,756,365 | 61,518,108 | 40,117,738 | 39,619,560 | 106,874,103 | 101,137,668 |
| Deferred outflows of resources | 2,620,438 | 1,094,719 | 498,980 | 232,085 | 3,119,418 | 1,326,804 |
| Long-term liabilities outstanding | 26,059,005 | 19,561,856 | 10,364,237 | 11,785,063 | 36,423,242 | 31,346,919 |
| Other liabilities | 1,351,958 | 1,185,932 | 2,703,477 | 1,959,545 | 4,055,435 | 3,145,477 |
| **Total Liabilities** | 27,410,963 | 20,747,788 | 13,067,714 | 13,744,608 | 40,478,677 | 34,492,396 |
| Deferred inflows of resources | 341,756 | 263,942 | 64,466 | 49,926 | 406,222 | 313,868 |
| Net position: | | | | | | |
| Net investment in capital assets | 36,945,402 | 36,792,569 | 24,344,617 | 21,545,419 | 61,290,019 | 58,337,988 |
| Restricted | 371,859 | 295,177 | - | 18,283 | 371,859 | 313,460 |
| Unrestricted | 4,306,823 | 4,513,351 | 3,139,921 | 4,493,409 | 7,446,744 | 9,006,760 |
| **Total Net Position** | $ 41,624,084 | $ 41,601,097 | $ 27,484,538 | $ 26,057,111 | $ 69,108,622 | $ 67,658,208 |

As of September 30, 2016, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities total increase in net position was $22,987 or 0.1% increase from the prior year. Key elements of activity changes from the prior year are as follows:

- Increase in long term liabilities outstanding by $6,497,149, or 33.2% due to issuance of $5,885,000 in certificates of obligation during the fiscal year.
- Total revenues increased by $149,879 or 0.9% from the prior year, while expenses increased by $1,028,641 or 6.4%.
- Transfers from Business-Type Activities decreased by $124,173. Transfers in were sufficient to cover the excess expenses over revenues of $430,910.

**Business-type activities.** Business-type activities increased the City's net position by $1,427,427, accounting for 98.4% of the total growth in net position.

Significant changes from the prior year include:

- Total revenues increased by $787,702.
- Fees, Fines, and Charges for Services revenue increased by $773,922 due to an increase in water consumption.
- Total expenses increased by $54,750. This was due primarily to an increase in water and sewer expenses of $68,438.This increase in expenses was in large part due to increased wholesale wastewater expenses as a result of additional expenses related to inflow and infiltration.

## Table 2

## Statement of Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Revenues** | | | | | | |
| **Program Revenues** | | | | | | |
| Fees, fines and charges for services | $ 3,055,509 | $ 2,664,229 | $ 10,070,916 | $ 9,296,994 | $ 13,126,425 | $ 11,961,223 |
| Operating grants and contributions | 35,537 | 13,959 | - | - | 35,537 | 13,959 |
| **General revenue** | | | | | | |
| Property taxes | 6,246,763 | 5,943,335 | - | - | 6,246,763 | 5,943,335 |
| Sales taxes | 5,868,069 | 6,284,432 | - | - | 5,868,069 | 6,284,432 |
| Franchise taxes | 1,114,190 | 1,184,339 | - | - | 1,114,190 | 1,184,339 |
| Payment in lieu of taxes | 370,897 | 458,232 | - | - | 370,897 | 458,232 |
| Penalties and interest | 32,295 | 42,000 | - | - | 32,295 | 42,000 |
| Interest on investments | 68,650 | 29,030 | 43,863 | 21,017 | 112,513 | 50,047 |
| Miscellaneous revenue | 3,960 | 26,435 | 130 | 9,196 | 4,090 | 35,631 |
| **Total Revenues** | 16,795,870 | 16,645,991 | 10,114,909 | 9,327,207 | 26,910,779 | 25,973,198 |
| **Expenses** | | | | | | |
| General government | 6,107,863 | 5,928,568 | - | - | 6,107,863 | 5,928,568 |
| Public safety | 6,029,558 | 5,430,215 | - | - | 6,029,558 | 5,430,215 |
| Culture and recreation | 3,724,218 | 3,077,296 | - | - | 3,724,218 | 3,077,296 |
| Public works | 987,328 | 1,315,752 | - | - | 987,328 | 1,315,752 |
| Interest on long-term debt | 377,813 | 446,308 | 282,538 | 282,538 | 660,351 | 728,846 |
| Water and sewer | - | - | 7,018,241 | 6,949,803 | 7,018,241 | 6,949,803 |
| Drainage Utility | - | - | 932,806 | 946,494 | 932,806 | 946,494 |
| **Total Expenses** | 17,226,780 | 16,198,139 | 8,233,585 | 8,178,835 | 25,460,365 | 24,376,974 |
| Increase (decrease) in net position before transfers | (430,910) | 447,852 | 1,881,324 | 1,148,372 | 1,450,414 | 1,596,224 |
| Transfers | 453,897 | 578,070 | (453,897) | (578,070) | - | - |
| Increase (decrease) in net position after transfers | 22,987 | 1,025,922 | 1,427,427 | 570,302 | 1,450,414 | 1,596,224 |
| **Net position - beginning** | 41,601,097 | 43,951,319 | 26,057,111 | 26,125,416 | 67,658,208 | 70,076,735 |
| Prior period adjustment | - | (3,376,144) | - | (638,607) | - | (4,014,751) |
| **Net position - ending** | $ 41,624,084 | $ 41,601,097 | $ 27,484,538 | $ 26,057,111 | $ 69,108,622 | $ 67,658,208 |

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of $17,523,121, which is an increase of $4,384,756 from the prior year. Unassigned fund balance is $5,274,387 or 30% of the total governmental fund balance. Unassigned fund balance is available for spending at the government's discretion. The remainder of fund balance is in the form of 1) non-spendable for inventories ($17,636) and prepaid items ($191,495), 2) restricted for capital acquisitions and contractual obligations ($8,578,094), retirement of fund indebtedness ($397,992), culture and recreation ($751,871), public works ($818,069) and public safety ($1,493,577).

The general fund is the primary operating fund of the City. The fund balance has decreased by a net $366,245 over the prior year, to $5,476,752. This was less than the budgeted decrease of $1,169,713 due to expenditures coming in less than budgeted for most departments.

The G.O. Debt Service fund balance increased by $55,705 over the prior year, to $395,192 as a result of a decrease in interest and other charges related to debt service.

Other Governmental Funds showed a $174,299 increase in fund balance from the prior year. This was primarily due to increase in revenue and decrease in expenditures in the Street Maintenance Sales Tax Fund.

**Proprietary funds.** The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Water/Sewer at $549,322 and Drainage Utility at $2,590,599. The proprietary funds had a combined net position increase of $554,051 as a result of operations. The Water/Sewer fund had an increase in the net position of $995,357, while the Drainage Utility fund had a net position increase of $392,929 as a result of operations. The adjustments for consolidation of the Internal Service fund included an additional gain of $39,141.

**Budgetary Highlights**

Actual total general fund expenditures were significantly under budget for FY 2016. There was an overall positive variance with final budget for the General Fund of $803,468. A major component in this positive variance was lower than forecasted expenditures of $986,399.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amount to $76,651,267 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's capital asset investment for the current fiscal year was 6.3%. This was primarily from purchase of new assets with proceeds from bonds issued during the prior fiscal years.

Major capital asset events during the current fiscal year included the following:

- Projects that were included in Construction in Progress in FY2015 which were completed this fiscal year include the following:
    - Bursey Road Construction, Phase I in the amount of $1,633,531
    - Summit Ridge Channel Improvement in the amount of $51,746

- Projects that began in FY2015 include and were added to Construction in Progress:
    - Increase of $381,351 in Construction in Progress for the Senior Center project, bringing the total CIP for this project to $404,833
    - Increase of $3,822,091 in Wastewater Improvement Project Phase I and II, bringing the total in CIP for this project to $5,483,420
    - Increase of $1,333,334 for Watauga Heights Drainage Improvements bringing the total for this project to $1,335,019

- Other Projects that were completed in FY2015 include:
    - Infrastructure improvements (street overlays, sidewalks) in the amount of $525,397
    - Capp Smith Park Playground Play Structure in the amount of $21,856

Additional information on the City's capital assets can be found in Note 3 of this report.

## Table 3

## Statement of City of Watauga's Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | $ 19,019,600 | $ 19,019,600 | $ 91,000 | $ 91,000 | $ 19,110,600 | $ 19,110,600 |
| Construction in progress | 521,804 | 601,865 | 6,753,473 | 2,028,236 | 7,275,277 | 2,630,101 |
| Buildings and improvements | 14,940,234 | 15,285,241 | 2,291,166 | 2,354,841 | 17,231,400 | 17,640,082 |
| Improvements other than buildings | 374,982 | 383,258 | - | - | 374,982 | 383,258 |
| Equipment | 3,616,449 | 4,016,112 | 858,740 | 878,627 | 4,475,189 | 4,894,739 |
| Drainage improvements | - | - | 7,976,357 | 8,260,478 | 7,976,357 | 8,260,478 |
| Infrastructure | 7,865,459 | 6,732,699 | - | - | 7,865,459 | 6,732,699 |
| Waterworks and sanitary sewer system | - | - | 12,342,003 | 12,447,290 | 12,342,003 | 12,447,290 |
| Total Capital Assets | $ 46,338,528 | $ 46,038,775 | $ 30,312,739 | $ 26,060,472 | $ 76,651,267 | $ 72,099,247 |

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of $25,760,000. This entire amount comprises debt backed by the full faith and credit of the government.

Other debt includes $502,847 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, and $2,566,285 in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt increased by $2,917,714, which was mainly due to an issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligations, Series 2016.

Additional information on the City's long-term debt can be found in Note 4.

## Table 4

## Statement of City of Watauga's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General obligation bonds | $ 3,045,000 | $ 3,745,000 | $ - | $ 1,275,000 | $ 3,045,000 | $ 5,020,000 |
| Certificates of obligation | 14,120,000 | 8,925,000 | 8,595,000 | 9,050,000 | 22,715,000 | 17,975,000 |
| Notes payable | 502,844 | 560,479 | - | - | 502,844 | 560,479 |
| Compensated absences payable | 2,244,651 | 2,186,860 | 321,634 | 310,292 | 2,566,285 | 2,497,152 |
| Unamortized bond premium | 329,067 | 146,123 | 351,739 | 393,467 | 680,806 | 539,590 |
| | $ 20,241,562 | $ 15,563,462 | $ 9,268,373 | $ 11,028,759 | $ 29,509,935 | $ 26,592,221 |

### Economic Factors and Next Year's Budgets and Rates

The City has experienced growth in property valuations. In FY2016/2017, the City's valuations have increased by $130,495,439, or 12.5% in comparison to FY2015/2016. This increase in valuations will allow the City to have operational funds for programs and issue new debt to fund major streets and parks projects without increasing the preceding year's tax rate. The tax rate for FY2016/2017 was set at $0.618411 per $100 assessed valuation.

A significant portion of the city's general operating revenue is derived from sales tax. Over the past several years, the City, along with the DFW Metroplex and the State of Texas, in general, had experienced an increase in sales tax revenues. In FY2015-16, however, sales tax revenues for the City of Watauga decreased by 6.5% over prior year actuals, and we are forecasting a decrease of 6.4% in the FY2016-17 budget compared to FY2015-16. We believe this sales tax decline is attributable to retail growth in surrounding areas that negatively impacted the number of potential shoppers in our City. The City's Economic Development Division is continuing their efforts to bring in high quality visually appealing businesses, as well as revitalize and invest in areas that have seen some deterioration of economic activity. Efforts to maintain and grow our sales tax base continue to be a high priority.

Many capital improvement projects are underway in the City at this time. Several major water/wastewater system infrastructure projects are planned in the 5-year Capital Improvement Plan as well as significant improvements to our storm water drainage system. The Wastewater Phase I and Phase II projects are currently in progress and should be complete in FY2016/2017.

The 2014 Bond Issuance and 2016 Bond Issuance will provide funds for Bursey Road Phase I and II. Phase I was completed in FY2015/2016 and Phase II is scheduled to begin in the summer of 2017. Also, the Senior Center project that will better meet the needs of our citizens is scheduled to be complete in the spring of 2017. The 2016 bond proceeds will also provide funding for other street and park projects. Quality of life projects such as a splash pad and trail system are being considered at this time.

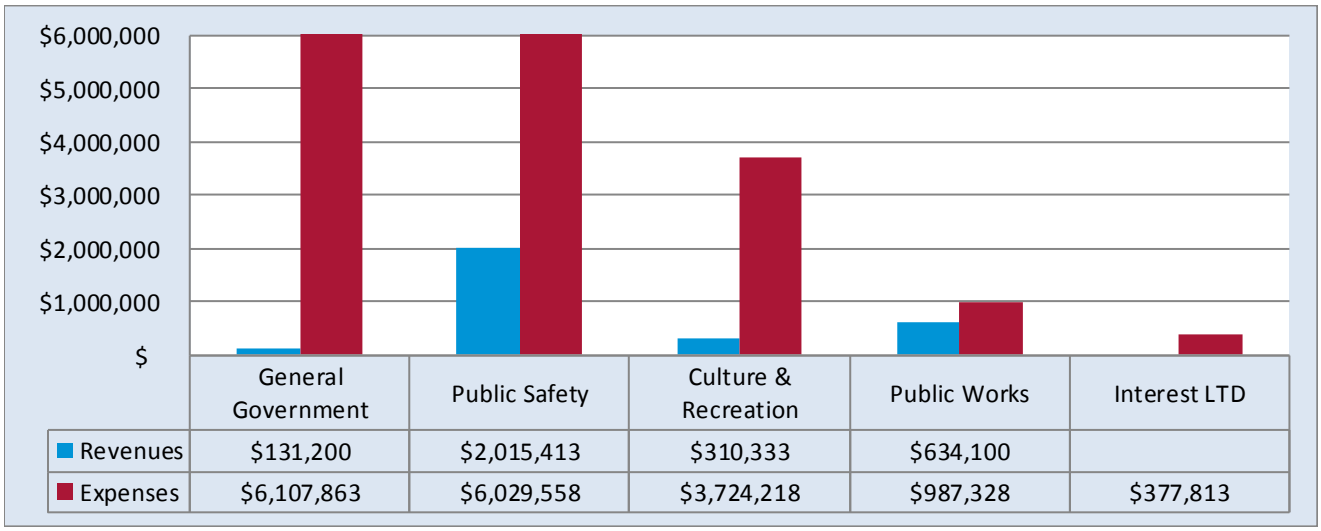
In an effort to keep up with increased wholesale water and wastewater costs, City Council has authorized a pass through rate increase. In FY2015/2016, the City has experienced a drop off in water/wastewater fund debt service in the amount of $1.2 million. A 2017 water and wastewater project bond issuance is being considered to fund improvements to water and sewer lines.

### Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Sandra Gibson, CGFO, Director of Finance and Administration by phone at 817-514-5822, or by email at sgibson@cowtx.org.

## Figure 1

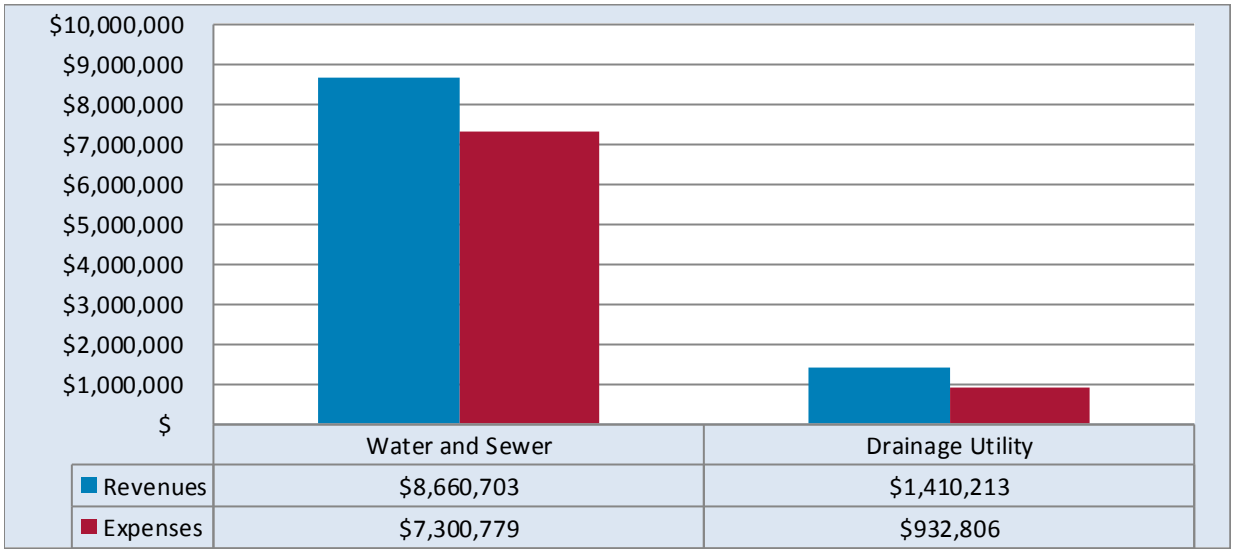
## Revenues and Program Expenses – Governmental Activities




| | General Government | Public Safety | Culture & Recreation | Public Works | Interest LTD |
|---|---|---|---|---|---|
| Revenues | $131,200 | $2,015,413 | $310,333 | $634,100 | |
| Expenses | $6,107,863 | $6,029,558 | $3,724,218 | $987,328 | $377,813 |

## Figure 2

## Revenues and Program Expenses – Business-Type Activities




| | Water and Sewer | Drainage Utility |
|---|---|---|
| Revenues | $8,660,703 | $1,410,213 |
| Expenses | $7,300,779 | $932,806 |

# CITY OF WATAUGA, TEXAS
# GOVERNMENT WIDE - STATEMENT OF NET POSITION
# September 30, 2016

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 4,897,725 | $ 1,865,733 | $ 6,763,458 |
| Investments | 13,603,761 | 6,182,228 | 19,785,989 |
| Receivables, net of allowance for uncollectibles | 1,707,220 | 1,693,789 | 3,401,009 |
| Inventories | 17,636 | 60,234 | 77,870 |
| Prepaid items | 191,495 | 3,015 | 194,510 |
| Restricted cash and cash equivalents | - | - | - |
| **Capital assets:** | | | |
| Land | 19,019,600 | 91,000 | 19,110,600 |
| Buildings and improvements | 14,940,234 | 2,291,166 | 17,231,400 |
| Improvements other than buildings | 374,982 | - | 374,982 |
| Equipment | 3,616,449 | 858,740 | 4,475,189 |
| Drainage improvements | - | 7,976,357 | 7,976,357 |
| Infrastructure | 7,865,459 | - | 7,865,459 |
| Waterworks and sanitary sewer system | - | 12,342,003 | 12,342,003 |
| Construction in progress | 521,804 | 6,753,473 | 7,275,277 |
| **Total Capital Assets** | 46,338,528 | 30,312,739 | 76,651,267 |
| **Total Assets** | 66,756,365 | 40,117,738 | 106,874,103 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred charge on refunding | 25,694 | 11,752 | 37,446 |
| Deferred outflows - pension | 2,594,744 | 487,228 | 3,081,972 |
| **Total deferred outflows of resources** | 2,620,438 | 498,980 | 3,119,418 |
| **LIABILITIES** | | | |
| Accounts payable | 569,252 | 1,433,032 | 2,002,284 |
| Accrued liabilities | 683,741 | 341,548 | 1,025,289 |
| Accrued interest | 74,440 | 22,263 | 96,703 |
| Customer deposits | 24,525 | 906,634 | 931,159 |
| Long-term liabilities: | | | |
| Due within one year | 1,781,288 | 543,869 | 2,325,157 |
| Due in more than one year | 18,460,277 | 8,724,168 | 27,184,445 |
| Net pension liability | 5,817,440 | 1,096,200 | 6,913,640 |
| **Total Liabilities** | 27,410,963 | 13,067,714 | 40,478,677 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows - pension | 341,756 | 64,466 | 406,222 |
| **Total deferred outflows of resources** | 341,756 | 64,466 | 406,222 |
| **NET POSITION** | | | |
| Net investment in capital assets | 36,945,402 | 24,344,617 | 61,290,019 |
| Restricted for: | | | |
| Debt service | 371,859 | - | 371,859 |
| Unrestricted | 4,306,823 | 3,139,921 | 7,446,744 |
| **Total Net Position** | $ 41,624,084 | $ 27,484,538 | $ 69,108,622 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
# September 30, 2016

| Functions/Programs | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|
| **Primary government** | | | | | | |
| Governmental activities | | | | | | |
| General government | $ 6,107,863 | $ 131,200 | $ - | $ (5,976,663) | $ - | $ (5,976,663) |
| Public safety | 6,029,558 | 2,015,413 | - | (4,014,145) | - | (4,014,145) |
| Culture and recreation | 3,724,218 | 274,796 | 35,537 | (3,413,885) | - | (3,413,885) |
| Public works | 987,328 | 634,100 | - | (353,228) | - | (353,228) |
| Interest on long-term debt | 377,813 | - | - | (377,813) | - | (377,813) |
| **Total governmental activities** | 17,226,780 | 3,055,509 | 35,537 | (14,135,734) | - | (14,135,734) |
| Business-type activities: | | | | | | |
| Water and Sewer | 7,300,779 | 8,660,703 | - | - | 1,359,924 | 1,359,924 |
| Drainage Utility | 932,806 | 1,410,213 | - | - | 477,407 | 477,407 |
| **Total business-type activities** | 8,233,585 | 10,070,916 | - | - | 1,837,331 | 1,837,331 |
| **Total primary government** | $ 25,460,365 | $ 13,126,425 | $ 35,537 | (14,135,734) | 1,837,331 | (12,298,403) |
| **General revenues:** | | | | | | |
| **Taxes:** | | | | | | |
| Property taxes, levied for general purposes | | | | 6,246,763 | - | 6,246,763 |
| Sales taxes | | | | 5,868,069 | - | 5,868,069 |
| Franchise taxes | | | | 1,114,190 | - | 1,114,190 |
| Payment in lieu of taxes | | | | 370,897 | - | 370,897 |
| Penalties and interest | | | | 32,295 | - | 32,295 |
| Interest on investments | | | | 68,650 | 43,863 | 112,513 |
| Miscellaneous revenue | | | | 3,960 | 130 | 4,090 |
| Transfers | | | | 453,897 | (453,897) | - |
| **Total general revenues and transfers** | | | | 14,158,721 | (409,904) | 13,748,817 |
| Change in net position | | | | 22,987 | 1,427,427 | 1,450,414 |
| **Net position - beginning** | | | | 41,601,097 | 26,057,111 | 67,658,208 |
| **Net position - ending** | | | | $ 41,624,084 | $ 27,484,538 | $ 69,108,622 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# BALANCE SHEET - GOVERNMENTAL FUNDS
# September 30, 2016

| | General Fund | G.O. Debt Service Fund | G.O. Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 2,655,103 | $ 285,800 | $ 166,152 | $ 1,423,369 | $ 4,530,424 |
| Investments | 2,491,821 | 120,437 | 8,075,832 | 2,061,437 | 12,749,527 |
| Receivables, net of allowance for uncollectibles | | | | | |
| Property taxes | 88,495 | 37,262 | - | - | 125,757 |
| Accounts receivable | 1,060,713 | - | - | 517,055 | 1,577,768 |
| Prepaids and deposits | 184,729 | - | - | 6,766 | 191,495 |
| Inventory of supplies | 17,636 | - | - | - | 17,636 |
| **Total Assets** | $ 6,498,497 | $ 443,499 | $ 8,241,984 | $ 4,008,627 | $ 19,192,607 |
| **LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES** | | | | | |
| **Liabilities:** | | | | | |
| Accounts payable | $ 66,284 | $ - | $ 146,489 | $ 356,478 | $ 569,251 |
| Accrued liabilities | 527,234 | - | 21,948 | 74,519 | 623,701 |
| Accrued interest payable | - | 11,045 | - | - | 11,045 |
| Deposits | 24,525 | - | - | - | 24,525 |
| Unearned revenue | 60,040 | - | - | - | 60,040 |
| **Total Liabilities** | 678,083 | 11,045 | 168,437 | 430,997 | 1,288,562 |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue - Property Taxes | 88,495 | 37,262 | - | - | 125,757 |
| Unavailable revenue - EMS | 255,167 | - | - | - | 255,167 |
| **Total Deferred Inflows of Resources** | 343,662 | 37,262 | - | - | 380,924 |
| **Fund balances:** | | | | | |
| **Non-Spendable** | | | | | |
| Inventories | 17,636 | - | - | - | 17,636 |
| Prepaid items | 184,729 | - | - | 6,766 | 191,495 |
| **Restricted** | | | | | |
| Capital acquisitions and contractual obligations | - | - | 8,073,547 | 504,547 | 8,578,094 |
| Debt service | - | 395,192 | - | 2,800 | 397,992 |
| Culture and recreation | - | - | - | 751,871 | 751,871 |
| Public works | - | - | - | 818,069 | 818,069 |
| Public safety | - | - | - | 1,493,577 | 1,493,577 |
| **Unassigned** | 5,274,387 | - | - | - | 5,274,387 |
| **Total Fund balances** | 5,476,752 | 395,192 | 8,073,547 | 3,577,630 | 17,523,121 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | $ 6,498,497 | $ 443,499 | $ 8,241,984 | $ 4,008,627 | $ 19,192,607 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
# September 30, 2016

| | | |
|---|---|---|
| **Total fund balance - governmental funds** | $ | 17,523,121 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | 46,338,528 |
| Deferred charge on refunding | | 25,694 |
| Deferred outflows related to Texas Municipal Retirement System | | 2,594,744 |
| Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. | | (63,396) |
| Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net position of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long-term liabilities. | | 1,225,230 |
| Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. | | 380,924 |
| Deferred inflows related to Texas Municipal Retirement System | | (341,756) |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. | | (26,059,005) |
| **Net position of governmental activities** | $ | 41,624,084 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
# Year Ended September 30, 2016

| | General Fund | G.O. Debt Service Fund | G.O. Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes and franchise fees | $ 8,550,492 | $ 1,811,784 | $ - | $ 2,900,984 | $ 13,263,260 |
| Licenses and permits | 454,991 | - | - | - | 454,991 |
| Charges for services | 741,565 | - | - | - | 741,565 |
| Fines and forfeitures | 808,024 | - | - | 755,904 | 1,563,928 |
| Interest income | 26,168 | 1,497 | 15,167 | 16,819 | 59,651 |
| Intergovernmental | 370,897 | - | - | - | 370,897 |
| Miscellaneous | 245,221 | - | - | 119,755 | 364,976 |
| **Total Revenues** | 11,197,358 | 1,813,281 | 15,167 | 3,793,462 | 16,819,268 |
| **Expenditures** | | | | | |
| **Current:** | | | | | |
| General government | 5,760,512 | - | - | - | 5,760,512 |
| Public safety | 3,285,916 | - | - | 2,178,699 | 5,464,615 |
| Culture and recreation | 1,436,467 | - | - | 605,381 | 2,041,848 |
| Public works | 999,186 | - | - | 103,030 | 1,102,216 |
| **Capital outlay** | - | - | 1,671,315 | 532,379 | 2,203,694 |
| **Debt Service:** | | | | | |
| Principal | - | 1,390,000 | 57,632 | - | 1,447,632 |
| Interest and other charges | - | 367,576 | 103,801 | - | 471,377 |
| **Total Expenditures** | 11,482,081 | 1,757,576 | 1,832,748 | 3,419,489 | 18,491,894 |
| Excess (deficiency) of revenues over expenditures | (284,723) | 55,705 | (1,817,581) | 373,973 | (1,672,626) |
| **Other Financing Sources (Uses)** | | | | | |
| General obligation debt issued | - | - | 5,885,000 | - | 5,885,000 |
| Premium on general obligation debt | - | - | 193,580 | - | 193,580 |
| Proceeds from sale of assets | 40,975 | - | - | 14,810 | 55,785 |
| Transfers in | 436,381 | - | 259,998 | - | 696,379 |
| Transfers out | (558,878) | - | - | (214,484) | (773,362) |
| **Total other financing sources and uses** | (81,522) | - | 6,338,578 | (199,674) | 6,057,382 |
| Net change in fund balances | (366,245) | 55,705 | 4,520,997 | 174,299 | 4,384,756 |
| **Fund balances - beginning** | 5,842,997 | 339,487 | 3,552,550 | 3,403,331 | 13,138,365 |
| **Fund balances - ending** | $ 5,476,752 | $ 395,192 | $ 8,073,547 | $ 3,577,630 | $ 17,523,121 |

The Notes to the Basic Financial Statements are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## Year Ended September 30, 2016

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 4,384,756 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. | | 2,168,519 |
| Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. | | (1,992,415) |
| Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold and disposed. | | (9,181) |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assts. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | (4,621,385) |
| Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | (57,791) |
| Pension contributions made after the pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position | | 1,018,289 |
| Certain unavailable revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. | | (32,396) |
| Pension expense for the pension plan measurement year | | (1,361,008) |
| Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities. | | 525,599 |
| Change in net position of governmental activities | $ | 22,987 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF NET POSITION - PROPRIETARY FUNDS
# September 30, 2016



| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Water and Sewer | Drainage Utility | Total Enterprise Funds | |
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |
| Investments | 4,377,848 | 1,804,380 | 6,182,228 | 854,234 |
| Accounts receivable and unbilled revenue less allowance for uncollectibles of $696,596 for water and sewer, and $30,900 for drainage utility | 1,605,222 | 88,567 | 1,693,789 | 3,695 |
| Inventories | 60,234 | - | 60,234 | - |
| Prepaid items | 3,015 | - | 3,015 | - |
| Total current assets | 6,464,176 | 3,340,823 | 9,804,999 | 1,225,230 |
| Non-current assets: | | | | |
| Capital Assets: | | | | |
| Land | 91,000 | - | 91,000 | - |
| Construction in Progress | 5,418,455 | 1,335,018 | 6,753,473 | - |
| Buildings | 3,246,847 | 106,931 | 3,353,778 | 154,068 |
| Equipment | 1,527,360 | 139,501 | 1,666,861 | 2,778,522 |
| Street improvements | - | 70,991 | 70,991 | - |
| Drainage improvements | - | 16,724,265 | 16,724,265 | - |
| Waterworks and sanitary sewer system | 16,262,096 | - | 16,262,096 | - |
| | 26,545,758 | 18,376,706 | 44,922,464 | 2,932,590 |
| Less Accumulated depreciation | (5,867,658) | (8,933,920) | (14,801,578) | (1,876,715) |
| Net utility plant and equipment in service | 20,678,100 | 9,442,786 | 30,120,886 | 1,055,875 |
| Total noncurrent assets | 20,678,100 | 9,442,786 | 30,120,886 | 1,055,875 |
| Total assets | 27,142,276 | 12,783,609 | 39,925,885 | 2,281,105 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred charge on refunding | 11,752 | - | 11,752 | - |
| Deferred outflows - pension | 383,371 | 103,857 | 487,228 | - |
| Total deferred outflows | 395,123 | 103,857 | 498,980 | - |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF NET POSITION - PROPRIETARY FUNDS
# September 30, 2016



| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Water and Sewer | Drainage Utility | Total Enterprise Funds | |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Payable from current assets | | | | |
| Accounts payable | $ 987,922 | $ 445,110 | $ 1,433,032 | $ - |
| Accrued liabilities | 273,885 | 67,663 | 341,548 | - |
| Current portion of compensated absences | 33,076 | 5,793 | 38,869 | - |
| Current portion of bonds payable | 505,000 | - | 505,000 | - |
| Deposits | 906,634 | - | 906,634 | - |
| Accrued interest | 22,263 | - | 22,263 | - |
| Total current liabilities | 2,728,780 | 518,566 | 3,247,346 | - |
| Noncurrent liabilities: | | | | |
| Bonds payable | 8,441,404 | - | 8,441,404 | - |
| Compensated absences | 207,126 | 75,638 | 282,764 | - |
| Net pension liability | 850,947 | 245,253 | 1,096,200 | - |
| Total non-current liabilities | 9,499,477 | 320,891 | 9,820,368 | - |
| Total liabilities | 12,228,257 | 839,457 | 13,067,714 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows - pension | 49,842 | 14,624 | 64,466 | - |
| Total deferred outflows | 49,842 | 14,624 | 64,466 | - |
| **NET POSITION** | | | | |
| Net investment in capital assets | 14,709,978 | 9,442,786 | 24,152,764 | 1,055,875 |
| Unrestricted | 549,322 | 2,590,599 | 3,139,921 | 1,225,230 |
| Total Net Position | $ 15,259,300 | $ 12,033,385 | 27,292,685 | $ 2,281,105 |
| Reconciliation to government-wide statement of net position | | | | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 191,853 | |
| Net position of business-type activities | | | $ 27,484,538 | |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
# PROPRIETARY FUNDS
# Year Ended September 30, 2016

| | Business-Type Activities | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Water and Sewer | Drainage Utility | Total Enterprise Funds | |
| **Operating revenues** | | | | |
| Water service | $ 4,599,548 | $ - | $ 4,599,548 | $ - |
| Sewer service | 3,522,972 | - | 3,522,972 | - |
| Drainage fees | - | 1,410,213 | 1,410,213 | - |
| Service fees and miscellaneous | 538,203 | - | 538,203 | 253,760 |
| Total operating revenues | 8,660,723 | 1,410,213 | 10,070,936 | 253,760 |
| **Operating expenses** | | | | |
| General and administrative | 608,458 | 6,015 | 614,473 | - |
| Sewer distribution | 2,578,350 | - | 2,578,350 | - |
| Water distribution | 2,658,219 | - | 2,658,219 | - |
| Personnel services | - | 419,872 | 419,872 | - |
| Nondepartmental | 630,021 | 112,750 | 742,771 | - |
| Billing and collections | 66,883 | - | 66,883 | - |
| Supplies | - | 24,548 | 24,548 | - |
| Repairs and maintenance | 139,096 | 14,180 | 153,276 | - |
| Contractual services | - | 6,341 | 6,341 | 105,403 |
| Depreciation and amortization | 403,892 | 349,100 | 752,992 | 134,185 |
| Total operating expenses | 7,084,919 | 932,806 | 8,017,725 | 239,588 |
| Operating income (loss) | 1,575,804 | 477,407 | 2,053,211 | 14,172 |
| **Non-operating revenues (expenses)** | | | | |
| Investment income | 24,841 | 19,022 | 43,863 | 8,999 |
| Gain (loss) on disposal of capital assets | 110 | - | 110 | - |
| Interest expense | (255,001) | - | (255,001) | - |
| **Total Non-operating revenue (expenses), net** | (230,050) | 19,022 | (211,028) | 8,999 |
| Income (loss) before transfers | 1,345,754 | 496,429 | 1,842,183 | 23,171 |
| Transfers in | - | - | - | 530,880 |
| Transfers out | (350,397) | (103,500) | (453,897) | - |
| Change in net position | 995,357 | 392,929 | 1,388,286 | 554,051 |
| **Total net position - beginning of the year** | 14,263,943 | 11,640,456 | | 1,727,054 |
| **Total net position - ending of the year** | $ 15,259,300 | $ 12,033,385 | | $ 2,281,105 |
| Reconciliation to government-wide statement of net position | | | | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 39,141 | |
| Change in net position of business-type activities | | | $ 1,427,427 | |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF CASH FLOWS
# PROPRIETARY FUNDS
# Year Ended September 30, 2016

| | Business-Type Activities | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Water and Sewer | Drainage Utility | Total Enterprise Funds | |
| **OPERATING ACTIVITIES** | | | | |
| Cash received from customers | $ 8,352,291 | $ 1,397,027 | $ 9,749,318 | $ 250,936 |
| Cash payments to suppliers for goods and services | (771,280) | 286,664 | (484,616) | (105,403) |
| Cash payments to employees for services | (5,585,916) | (372,471) | (5,958,387) | - |
| Net cash provided (used) by operating activities | 1,995,095 | 1,311,220 | 3,306,315 | 145,533 |
| **NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers from other funds | - | - | - | 530,880 |
| Transfers to other funds | (350,397) | (103,500) | (453,897) | - |
| Net cash provided by (used by) noncapital financing activities | (350,397) | (103,500) | (453,897) | 530,880 |
| **CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Proceeds from the sale of equipment | 310 | - | 310 | - |
| Purchase of capital assets | (3,786,574) | (1,180,080) | (4,966,654) | (295,476) |
| Repayment of debt | (1,730,000) | - | (1,730,000) | - |
| Interest paid on debt | (300,831) | - | (300,831) | - |
| Net cash used in capital and related financing activities | (5,817,095) | (1,180,080) | (6,997,175) | (295,476) |
| **INVESTING ACTIVITIES** | | | | |
| Investment income | 24,841 | 19,022 | 43,863 | 8,999 |
| Purchase of investments | 4,055,720 | (212,782) | 3,842,938 | (438,788) |
| Net cash provided by (used by) investing activities | 4,080,561 | (193,760) | 3,886,801 | (429,789) |
| Net change in cash and cash equivalents | (91,836) | (166,120) | (257,956) | (48,852) |
| **Cash and equivalents, beginning of year** | 509,693 | 1,613,996 | 2,123,689 | 416,153 |
| **Cash and equivalents, at end of year** | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |
| Unrestricted cash and equivalents | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |
| | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

# CITY OF WATAUGA, TEXAS
# STATEMENT OF CASH FLOWS
# PROPRIETARY FUNDS
# Year Ended September 30, 2016
# (continued)

| | Business-Type Activities | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Water and Sewer | Drainage Utility | Total Enterprise Funds | |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | $ 1,575,804 | $ 477,407 | $ 2,053,211 | $ 14,172 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | |
| Depreciation and amortization | 403,892 | 349,100 | 752,992 | 134,185 |
| (Increase) decrease in accounts receivable and unbilled revenue | (324,297) | (13,186) | (337,483) | (2,824) |
| (Increase) decrease in prepaids items | 13,246 | 5,497 | 18,743 | - |
| (Increase) decrease in deferred outflows - pensions | (232,831) | (57,565) | (290,396) | - |
| (increase) decrease in inventory | (28,065) | - | (28,065) | - |
| Increase (decrease) in deferred inflows - pension | 11,658 | 2,882 | 14,540 | - |
| Increase (decrease) in accounts payable | 79,539 | 445,001 | 524,540 | - |
| Increase (decrease) in accrued liabilities | 195,675 | 35,456 | 231,131 | - |
| Increase (decrease) in net pension liability | 272,517 | 67,378 | 339,895 | |
| Increase (decrease) in compensated absences | 12,092 | (750) | 11,342 | - |
| Increase (decrease) in deposits | 15,865 | - | 15,865 | - |
| **Net cash provided by operating activities** | $ 1,995,095 | $ 1,311,220 | $ 3,306,315 | $ 145,533 |
| Reconciliation of cash to balance sheet | | | | |
| Cash - current | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |
| **Cash and cash equivalents** | $ 417,857 | $ 1,447,876 | $ 1,865,733 | $ 367,301 |

The Notes to the Basic Financial Statements
are an integral part of this statement.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005, November 6, 2007 and May 11, 2013. The City operates under a Mayor-Council-Manager form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants.

### Financial Reporting Entity

The basic financial statements of the City include the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities were found to be component units of the City and are included in the basic financial statements:

The Watauga Parks Development Corporation's (WPDC) sole purpose is to act on behalf of the City in the accumulation and use of resources to build and improve City parks. The WPDC's governing board is appointed by the City Council. The WPDC is composed of three funds: a special revenue fund, a capital projects fund and a debt service fund.

The Watauga Crime Control and Prevention District Fund's (WCCPD) sole purpose is to act on behalf of the City in the accumulation and use of resources to add law enforcement officers and purchase additional equipment and supplies for law enforcement purposes. The WCCPD is reported as a special revenue fund.

A blended presentation has been used to report the financial information of these component units. The financial information for the individual component units is available from the City.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

**General Fund**

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**General Obligation Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

**General Obligation Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. Financing is provided primarily by the sale of tax notes, general obligation and contractual obligation bonds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

**Water and Sewer Fund**

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly, at least annually, and adjusted if necessary to ensure integrity of the funds.

**Drainage Utility Fund**

The Drainage Utility Fund is used to account for the user fees charged per residential and commercial unit to enhance drainage of properties within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance.

Additionally, the City reports the Internal Service Fund, which was established in 1997 for the purpose of replacing equipment. Departments are charged user fees to accumulate funds to be used in replacing existing equipment as needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

**Deposits and Investments**

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Certificates of Deposit are reported at cost plus accrued interest. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion.

**Taxes**

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The City's current tax rate is $0.618718 per $100 of assessed valuation ($0.591216 per $100 last year) and assessed valuation is approximately 100% of estimated value.

**Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

**Inventories**

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out method). Inventories consist primarily of expendable supplies.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

### Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|---|---|
| Buildings and improvements | 50 years |
| Improvements other than buildings | 10 years |
| Equipment | 3-10 years |
| Drainage Improvements | 50 years |
| Infrastructure | 9-50 years |
| Waterworks and sanitary sewer system | 60 years |

### Compensated Absences

City employees are granted vacation, sick and other compensated time pay in varying amounts. In the event of termination, an employee hired before 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 60 days, or an employee hired after 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 30 days if the employee has completed their probationary period of six months for a non-civil service employee or at least one year for civil service employees. Employees hired before 10/1/2013 are reimbursed up to 100% of 90 days for accumulated sick leave. Non-civil service employees hired after 10/1/2013 are no longer reimbursed for unpaid sick leave. The total liability for compensated absences at September 30, 2016 was $2,566,285, including $282,764 of proprietary fund balances which are included with accrued liabilities on the proprietary fund balance sheet.

The estimated vacation liability expected to be satisfied with available financial resources is included in accrued salaries and wages in the General Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources are reported in the statement of net position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension – Reported in the government-wide statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related outflow will be amortized over a closed five year period.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for this category:

- Deferred inflows of resources for unavailable revenues – Reported in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension – Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with pension through the pension plan, which is currently 3.78 years.

**Fund Equity**

The City reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fund Equity (continued)

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority. Per the City's fund balance policy, assigned fund balance amounts are established by the City Manager.

Unassigned fund balance – amounts that are available for any purpose.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City establishes (and modifies and rescinds) fund balance commitments by passage of a resolution by City Council.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

### Net Position

Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

### Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year end, outstanding encumbrances are appropriately provided for in the subsequent years' budget to provide for the liquidation of the prior commitments. As of September 30, 2016, the City had no encumbrances in the General Fund that rolled over into the new fiscal year.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Implementation of New Accounting Standards

In the current fiscal year, the City implemented the following new accounting standards:

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

## NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table:

| Authorized Investment Type | Final Stated Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---|---|---|---|
| Public funds investment pool | N/A | 100% | None |
| Certificates of deposit | 5 years | 100% | None |
| U.S. Treasury obligations | 5 years | 100% | None |
| No-load money market mutual funds | 5 years | 50% | None |
| Repurchase agreements | 5 years | 50% | None |
| State of Texas securities | 5 years | 50% | None |
| U.S. agency obligations | 5 years | 50% | None |
| Commercial paper | 5 years | 10% | None |

**NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)**

The act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2016, are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Governmental Activities | $ | 18,501,486 |
| Business Type Activities | | 8,047,961 |
| | $ | 26,549,447 |

Deposits and investments as of September 30, 2016, consist of the following:

| | | |
|---|---|---|
| Deposits with financial institutions | $ | 1,312,854 |
| Investments | | 25,236,593 |
| | $ | 26,549,447 |

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2016, the City had the following investments:

| Investment Type | | Carrying Value | Weighted Average Maturity |
|---|---|---|---|
| TexPool | $ | 1,760,113 | 44 days |
| TexPool Prime | | 2,304 | 48 days |
| Texas Daily | | 445,890 | 55 days |
| LOGIC | | 340,839 | 39 days |
| Money Market | | 16,154,540 | Daily |
| CDs | | 6,532,907 | 169 Days |
| | $ | 25,236,593 | |

$1,029,151 of the investments listed above is in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

As of September 30, 2016, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

## NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy or debt agreements and the actual rating as of year-end for each investment type.

| Investment Type | Carrying Value | Minimum Rating Required | Actual Investment Rating |
|---|---|---|---|
| TexPool | $ 1,760,113 | AAA | AAAm |
| TexPool Prime | 2,304 | AAA | AAAm |
| Texas Daily | 445,890 | AAA | AAAm |
| LOGIC | 340,839 | AAA | AAAm |
| Money Market | 16,154,540 | N/A | N/A |
| CDs | 6,532,907 | N/A | N/A |

### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2016, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of $250,000 at all times.

At September 30, 2016, the carrying amount of the City's cash on hand and deposits was $1,312,854 and the bank balance was $2,364,583. Of the bank balance, $250,000 was covered by federal depository insurance while the remaining $2,114,583 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

The City is a voluntary participant in the TexPool, LOGIC and Texas Term external investment pools.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

## NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

### Custodial Credit Risk (continued)

LOGIC is governed by a six member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC assists governments across Texas making the most of taxpayer dollars by allowing local officials to improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund. LOGIC is a 'Constant Dollar" net asset value pool and is in full compliance with the Texas Public Funds Investment Act.

Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares.

The City's external pooled funds are reported at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* Amortized cost for the investment pools approximates fair value. In addition, The City's investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Market values of money market accounts and certificates of deposit are based on quoted market values using Level 2 inputs.

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance September 30, 2015 | Additions/ Completions | Retirements/ Adjustments | Balance September 30, 2016 |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 19,019,600 | $ - | $ - | $ 19,019,600 |
| Construction in progress | 601,865 | 491,580 | (571,641) | 521,804 |
| Total capital assets not being depreciated | 19,621,465 | 491,580 | (571,641) | 19,541,404 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 19,392,418 | 42,961 | (316) | 19,435,063 |
| Improvements other than buildings | 413,778 | - | - | 413,778 |
| Equipment | 12,124,345 | 273,708 | (460,452) | 11,937,601 |
| Infrastructure | 27,335,741 | 1,603,156 | 571,641 | 29,510,538 |
| Total capital assets being depreciated | 59,266,282 | 1,919,825 | 110,873 | 61,296,980 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 4,107,177 | 388,000 | (348) | 4,494,829 |
| Improvements other than buildings | 30,520 | 8,276 | - | 38,796 |
| Equipment | 8,108,233 | 664,183 | (451,264) | 8,321,152 |
| Infrastructure | 20,603,042 | 1,042,037 | - | 21,645,079 |
| Total accumulated depreciation | 32,848,972 | 2,102,496 | (451,612) | 34,499,856 |
| Total capital assets being depreciated, net | 26,417,310 | (182,671) | 562,485 | 26,797,124 |
| Governmental activities capital assets, net | $ 46,038,775 | $ 308,909 | $ (9,156) | $ 46,338,528 |

**NOTE 3 - CAPITAL ASSETS (continued**

| | Balance September 30, 2015 | Additions/ Completions | Retirements/ Adjustments | Balance September 30, 2016 |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 91,000 | $ - | $ - | $ 91,000 |
| Construction in progress | 2,028,236 | 4,865,347 | (140,110) | 6,753,473 |
| Total capital assets not being depreciated | 2,119,236 | 4,865,347 | (140,110) | 6,844,473 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 3,353,778 | - | - | 3,353,778 |
| Equipment | 1,895,239 | 52,590 | 4,823 | 1,952,652 |
| Street and drainage improvements | 16,743,510 | 46,746 | 5,000 | 16,795,256 |
| Waterworks and sewer system | 16,121,372 | 141,061 | (337) | 16,262,096 |
| Total capital assets being depreciated | 38,113,899 | 240,397 | 9,486 | 38,363,782 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 998,937 | 63,675 | - | 1,062,612 |
| Equipment | 1,016,612 | 131,576 | (54,276) | 1,093,912 |
| Street and drainage improvements | 8,483,032 | 335,867 | - | 8,818,899 |
| Waterworks and sewer system | 3,674,082 | 246,011 | - | 3,920,093 |
| Total accumulated depreciation | 14,172,663 | 777,129 | (54,276) | 14,895,516 |
| Total capital assets being depreciated, net | 23,941,236 | (536,732) | 63,762 | 23,468,266 |
| Business-type activities capital assets, net | $ 26,060,472 | $ 4,328,615 | $ (76,348) | $ 30,312,739 |

Depreciation expense was charged as direct expense to programs of the primary government as follows:

| | |
|---|---|
| Governmental activities | |
| General government | $ 283,072 |
| Public safety | 413,007 |
| Culture and recreation | 207,688 |
| Public works | 1,198,729 |
| Total depreciation expense - Governmental Activities | $ 2,102,496 |
| | |
| Business-Type activities | |
| Water and sewer | $ 403,892 |
| Drainage | 349,100 |
| Internal Service Fund | 24,137 |
| Total depreciation expense - Business-Type Activities | $ 777,129 |

## NOTE 3 - CAPITAL ASSETS (continued

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2016 are as follows:

| Project Name | Remaining Commitment | Total In Progress |
|---|---|---|
| **Governmental Activities:** | | |
| Water Tower | $ 86,259 | $ 6,741 |
| Wastewater Improvements | - | 2,500 |
| Overlays - Wastewater Phase I | - | 107,730 |
| Senior Center | 1,913,643 | 404,833 |
| Total Governmental Activities | $ 1,999,902 | $ 521,804 |
| | | |
| **Business-Type Activities:** | | |
| Water and Sewer Projects | $ 2,328,033 | $ 6,753,473 |
| Total Business-Type Activities | $ 2,328,033 | $ 6,753,473 |

## NOTE 4 - LONG-TERM DEBT

During the fiscal year ended September 30, 2016, the City issued a Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2016 in amount of $5,885,000 with an interest rate of 2.00% to 4.00% and premiums in the amount of $193,580. The proceeds will be used for street and drainage improvements, parks and recreation facilities including the construction of a splash pad and constructing various park trails and professional consulting fees related to the projects.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2016:

| | Balance Beginning of Year | Increase | Decrease | Balance End of Year | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General obligation bonds | $ 3,745,000 | $ - | $ (700,000) | $ 3,045,000 | $ 710,000 |
| Certificates of obligation | 8,925,000 | 5,885,000 | (690,000) | 14,120,000 | 925,000 |
| Unamortized bond premium | 146,123 | 193,580 | (10,636) | 329,067 | - |
| Note payable | 560,479 | - | (57,632) | 502,847 | 60,225 |
| Compensated absences | 2,186,860 | 231,863 | (174,072) | 2,244,651 | 86,063 |
| Total governmental activities | 15,563,462 | 6,310,443 | (1,632,340) | 20,241,565 | 1,781,288 |
| **Business-Type Activities** | | | | | |
| General obligation bonds | 1,275,000 | - | (1,275,000) | - | - |
| Certificates of obligation | 9,050,000 | - | (455,000) | 8,595,000 | 505,000 |
| Unamortized bond premium | 393,467 | - | (42,064) | 351,403 | - |
| Compensated absences | 310,292 | 25,820 | (14,478) | 321,634 | 38,869 |
| Total Business-type Activities | 11,028,759 | 25,820 | (1,786,542) | 9,268,037 | 543,869 |
| Total government-wide activities | $ 26,592,221 | $ 6,336,263 | $ (3,418,882) | $ 29,509,602 | $ 2,325,157 |

## NOTE 4 - LONG-TERM DEBT (continued)

### Prior Year Refunding of General Obligation and Sales Tax Bonds

In prior years, the City deferred certain outstanding bonds by placing proceeds of general obligation and sales tax refunding bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. As of September 30, 2016, none of the defeased bonds remain outstanding.

Amounts payable at September 30, 2016, are comprised of the following individual issues:

| | Governmental | Business-Type |
|---|---|---|
| $2,855,000 Series 2006 General Obligation Refunding Bonds due in annual installments of $20,000 to $330,000 through April 1, 2020; interest at 3.730%. | $ 1,250,000 | $ - |
| $3,400,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $65,000 to $255,000 through February 1, 2027; interest at 4.110%. | 2,310,000 | - |
| $1,020,000 Series 2011 General Obligation Refunding Bonds due in annual installments of $135,000 to $160,000 through February 1, 2018; interest at 1.95%. | 315,000 | - |
| $2,145,000 Series 2013 General Obligation Refunding Bonds due in annual installments of $125,000 to $270,000 through February 1, 2023; interest at 2.25%. | 1,480,000 | - |
| $3,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $85,000 to $900,000 through February 2034; interest at 1.00% to 3.500%. | 3,270,000 | - |
| $5,885,000 Series 2016 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $285,000 to $355,000 through February 2036; interest at 2.00% to 4.00% | 5,885,000 | |
| $7,365,000 Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $315,000 to $660,000 through February 1, 2026; interest at 2.00% to 4.00% | 2,655,000 | 2,080,000 |
| $7,730,000 Series 2012 Certificates of Obligation due in annual installments of $290,000 to $510,000 through February 1, 2032; interest at 2.00% to 3.25%. | - | 6,515,000 |
| **Total Bonds Payable** | $ 17,165,000 | $ 8,595,000 |

## NOTE 4 - LONG-TERM DEBT (continued)

Notes payable at September 30, 2016, are comprised of the following individual issues:

| | Governmental | Business-Type |
|---|---|---|
| Note payable to City of North Richland Hills annual installments of $19,785, including interest at 4.5%, maturing February 2021. | $ 86,857 | $ - |
| Note payable to City of North Richland Hills annual installments of $63,068, including interest at 4.5%, maturing October 2024. | 415,990 | - |
| Total Notes Payable | 502,847 | - |
| Total Bonds and Notes Payable | $ 17,667,847 | $ 8,595,000 |

### Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2016, are as follows:

**General Obligation Bonds**

| | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2017 | $ 710,000 | $ 76,166 | $ 786,166 |
| 2018 | 730,000 | 55,999 | 785,999 |
| 2019 | 500,000 | 37,740 | 537,740 |
| 2020 | 520,000 | 21,455 | 541,455 |
| 2021 | 200,000 | 10,913 | 210,913 |
| 2022 - 2023 | 385,000 | 8,606 | 393,606 |
| | $ 3,045,000 | $ 210,879 | $ 3,255,879 |

**Certificates of Obligation**

| | Governmental Activities | | Business-Type Activities | | |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Total |
| 2017 | $ 925,000 | $ 386,169 | $ 505,000 | $ 260,837 | $ 2,077,006 |
| 2018 | 935,000 | 374,239 | 515,000 | 248,088 | 2,072,327 |
| 2019 | 1,015,000 | 346,691 | 530,000 | 234,550 | 2,126,241 |
| 2020 | 1,040,000 | 314,410 | 545,000 | 219,275 | 2,118,685 |
| 2021 | 1,415,000 | 275,852 | 565,000 | 202,625 | 2,458,477 |
| 2022 - 2026 | 4,355,000 | 886,711 | 3,100,000 | 730,906 | 9,072,617 |
| 2027 - 2031 | 2,345,000 | 385,453 | 2,325,000 | 276,656 | 5,332,109 |
| 2032 - 2036 | 2,090,000 | 112,528 | 510,000 | 8,288 | 2,720,816 |
| | $ 14,120,000 | $ 3,082,053 | $ 8,595,000 | $ 2,181,225 | $ 27,978,278 |

## NOTE 4 - LONG-TERM DEBT (continued)

### Annual Requirements to Retire Debt Obligations (continued)

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2016, are as follows:

**Notes Payable**

| | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2017 | $ 60,225 | $ 22,628 | $ 82,853 |
| 2018 | 62,935 | 19,918 | 82,853 |
| 2019 | 65,767 | 17,086 | 82,853 |
| 2020 | 68,727 | 14,126 | 82,853 |
| 2021 | 71,819 | 10,764 | 82,583 |
| 2022 - 2024 | 173,374 | 15,832 | 189,206 |
| | $ 502,847 | $ 100,354 | $ 603,201 |

### General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

## NOTE 5 - INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds.

**Interfund transfers:**

| Transfers In | Transfers Out | Amounts |
|---|---|---|
| General Fund | WPDC Sales Tax Fund | $ 36,542 |
| General Fund | Storm Drain Utility | 70,500 |
| General Fund | WCCPD Fund | 28,942 |
| General Fund | Water and Sewer Operating Fund | 300,397 |
| Capital Projects Fund | General Fund | 259,998 |
| Equipment Replacement Fund | Water and Sewer Operating Fund | 50,000 |
| Equipment Replacement Fund | Storm Drain Utility | 33,000 |
| Equipment Replacement Fund | General Fund | 298,880 |
| Equipment Replacement Fund | Non Major Governmental Funds | 149,000 |
| | | $ 1,227,259 |

Transfers are primarily used to move funds to:

- General Fund from Watauga Parks Development Corporation (“WPDC”) Sales Tax Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

**NOTE 5 - INTERFUND TRANSFERS (continued)**

- General Fund from Storm Drain Utility Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Watauga Crime Control and Prevention District ("WPCCPD") Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Water and Sewer Operating Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services are also used by other funds.

- Capital Projects Fund from General Fund for capital improvement plans, specifically street reconstruction and renovations.

- The transfer to Equipment Replacement Fund were for the acquisition of various replacement capital needs in the City.

**NOTE 6 - PENSION PLAN**

The City of Watauga, Texas participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

**A. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | |
|---|---|
| Employee deposit rate | 7.00% |
| Matching ration (city to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Updated Service Credit | 100% Repeating Transfers |
| Annuity Increase (to retirees) | 70% of CPI Repeating |

**NOTE 6 - PENSION PLAN (continued)**

**A. Benefits Provided (continued)**

***Employees covered by benefit terms.***

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

| Number of | |
|---|---|
| Inactive employees or benficiaries currently receiving benefits | 85 |
| Inactive employees entitled to but not yet receiving benefits | 143 |
| Active employees | 173 |
| Total | 401 |

**B. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.35 percent and 13.16 percent in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016 were $1,194,584, and were equal to the required contributions.

**C. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 3.00% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

**NOTE 6 - PENSION PLAN (continued)**

**C. Net Pension Liability (continued)**

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.10% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 3.65% |
| Real Return | 10.0% | 4.03% |
| Real Estate | 10.0% | 5.00% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 8.00% |
| Total | 100% | |

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

## NOTE 6 - PENSION PLAN (continued)

### C. Net Pension Liability (continued)

**Changes in Net Pension Liability**

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| Balance at 12/31/2014 | $ 39,851,333 | $ 35,096,639 | $ 4,754,694 |
| Changes for the year: | | | |
| Service cost | 1,484,819 | | 1,484,819 |
| Interest (on the Total Pension Liability) | 2,804,072 | | 2,804,072 |
| Difference between expected and actual experience | (273,667) | | (273,667) |
| Chages of assumptions | 60,403 | | 60,403 |
| Contributions - employer | | 1,245,119 | (1,245,119) |
| Contributions - employee | | 652,873 | (652,873) |
| Net investment income | | 51,790 | (51,790) |
| Benefit payments, including refunds of employee contributions | (1,071,136) | (1,071,136) | (1,071,136) 1,071,136 |
| Administrative expense | | (31,544) | 31,544 |
| Other | | (1,557) | 1,557 |
| **Balance at 12/31/2015** | $ 42,855,824 | $ 35,942,184 | $ 6,913,640 |

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| 1% Decrease | Current Single Rate Assumption | 1% Increase |
|---|---|---|
| 5.75% | 6.75% | 7.75% |
| $13,781,050 | $6,913,640 | $1,378,564 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

**NOTE 6 - PENSION PLAN (continued)**

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016 the city recognized pension expense of $1,615,317.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference in expected and actual experience | $ - | $ 406,222 |
| Difference in assumption changes | 44,423 | - |
| Difference in projected and actual earnings on pension plan investments. | 2,175,108 | - |
| Employer contributions made after the measurement date | 862,441 | - |
| Totals | $ 3,081,972 | $ 406,222 |

$852,086 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2017 | $ 399,372 |
| 2018 | 412,246 |
| 2019 | 520,696 |
| 2020 | 480,995 |
| Total | $ 1,813,309 |

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS**

In fiscal year 2009, the City implemented Governmental Accounting Standards Board ("GASB") Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions ("OPEB") prospectively.

## NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)

### Supplemental Death Benefits Plan

#### *Plan Description*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System ("TMRS") known as the Supplemental Death Benefits Fund ("SDBF"). See Note 6 for information on accessing the comprehensive annual financial report for TMRS. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500. This coverage is an OPEB.

#### *Funding Policy*

The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB.

#### *Contributions*

Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently 0.02% of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

Contributions are made monthly based on covered payroll of employee members of the City. The City contributes to the SDBF at the contractually required rate as determined by the annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The City's contribution rates for the last three calendar/plan years are as follows:

Schedule of Contribution Rates (Retiree-only portion of the rate)

| Plan Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | % of ARC Contributed |
|---|---|---|---|
| 2013 | 0.01% | 0.01% | 100% |
| 2014 | 0.02% | 0.02% | 100% |
| 2015 | 0.02% | 0.02% | 100% |

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were $13,951, $12,607 and $12,740, respectively, which equaled the required contributions each year.

## NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a $2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is $1,000,000 for each occurrence.

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

## NOTE 9 - LITIGATION

Various claims and lawsuits are pending against the City of Watauga. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

## NOTE 10 - OPERATING LEASE

The City is committed under various noncancelable operating leases, primarily for equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

| | | |
|---|---|---|
| 2017 | $ | 47,774 |
| 2018 | | 14,774 |
| | $ | 62,548 |

Lease and rental expenditures were $35,489 for the year ended September 30, 2016.

## NOTE 11 - FUND BALANCE RESTRICTIONS

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2016, follows:

| | G.O. Debt Service Funds | G.O. Capital Projects Fund | Non Major Governmental Funds |
|---|---|---|---|
| Capital acquisitions and contractual obligations | $ - | $ 8,073,547 | $ 504,547 |
| Debt service | 395,192 | - | 2,800 |
| Culture and recreation: | | | |
| Park improvements | - | - | 724,805 |
| Library purposes | - | - | 27,066 |
| | - | - | 751,871 |
| Public works: | | | |
| Street maintenance | - | - | 818,069 |
| Public safety: | | | |
| Law enforcement | - | - | 1,226,896 |
| Municipal court operations | - | - | 266,681 |
| | - | - | 1,493,577 |
| Total | $ 395,192 | $ 8,073,547 | $ 3,570,864 |

# REQUIRED SUPPLEMENTARY INFORMATION

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# CITY OF WATAUGA, TEXAS
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
## Last Two Measurement Years

| | 2015 | 2014 |
|---|---|---|
| Total pension liability: | | |
| Service cost | $ 1,484,819 | $ 1,278,209 |
| Interest | 2,804,072 | 2,632,122 |
| Difference between expected and actual experience | (273,667) | (422,782) |
| Change in assumptions | 60,403 | - |
| Benefit payments, including refunds of employee contributions | (1,071,136) | (1,197,706) |
| Net change in total pension liability | 3,004,491 | 2,289,843 |
| Total pension liability - beginning | 39,851,333 | 37,561,490 |
| Total pension liability - ending (a) | $ 42,855,824 | $ 39,851,333 |
| | | |
| Plan fiduciary net position: | | |
| Contributions - employer | $1,245,119 | $1,115,845 |
| Contributions - employee | 652,873 | 609,276 |
| Net investment income | 51,790 | 1,871,755 |
| Benefit payments, including refunds of employee contributions | (1,071,136) | (1,197,706) |
| Administrative expense | (31,544) | (19,541) |
| Other | (1,558) | (1,607) |
| Net change in plan fiduciary net position | 845,545 | 2,378,022 |
| Plan fiduciary net position - beginning | 35,096,639 | 32,718,617 |
| Plan fiduciary net position - ending (b) | $ 35,942,184 | $ 35,096,639 |
| | | |
| Net pension liability - ending (a) - (b) | $ 6,913,640 | $ 4,754,694 |
| | | |
| Plan fiduciary net position as a percentage of total pension liability | 83.87% | 88.07% |
| | | |
| Covered employee payroll | $9,326,755 | $8,703,943 |
| | | |
| Net pension liability as a percentage of covered employee payroll | 74.13% | 54.63% |

The amounts presented are for each measurement year, which end the preceding December 31st of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

# CITY OF WATAUGA, TEXAS
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF CONTRIBUTIONS
# Last Five Fiscal Years

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Actuarially Determined Contributions | $1,194,583 | $1,190,315 | $1,108,798 | $1,082,831 | $1,129,470 |
| Contributions in relation to the actuarially determined contribution | 1,194,583 | 1,190,315 | 1,108,798 | 1,082,831 | 1,129,470 |
| Contribution deficiency(excess) | - | - | - | - | - |
| Covered employee payroll | 9,040,337 | 9,005,317 | 8,638,774 | 8,473,213 | 8,852,583 |
| Contributions as a percentage of Covered employee payroll | 13.21% | 13.22% | 12.84% | 12.78% | 12.76% |

Notes: Actuarially determined contribution rates are calculated as of December 31st and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's p benefits. Last updated for the 2015 valuation to an experience s for the period 2010-2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied 103% and projected on a fully generational basis with scale BB |
| Other Information: | |
| Notes | 1) Granted 100% ad hoc USC with transfer<br>2) Granted 70% ad hoc COLA |

# CITY OF WATAUGA, TEXAS
# BUDGETARY COMPARISON SCHEDULE
# GENERAL FUND
# Year Ended September 30, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes and franchise fees | $ 8,780,734 | $ 8,780,734 | $ 8,550,492 | $ (230,242) |
| Licenses and permits | 291,000 | 291,000 | 454,991 | 163,991 |
| Charges for services | 747,000 | 747,000 | 741,565 | (5,435) |
| Fines and forfeitures | 736,700 | 736,700 | 808,024 | 71,324 |
| Interest income | 8,100 | 8,100 | 26,168 | 18,068 |
| Intergovernmental | 496,500 | 496,500 | 370,897 | (125,603) |
| Miscellaneous | 207,500 | 207,500 | 245,221 | 37,721 |
| **Total Revenues** | 11,267,534 | 11,267,534 | 11,197,358 | (70,176) |
| **Expenditures** | | | | |
| Current: | | | | |
| Administration | 265,500 | 265,500 | 260,033 | 5,467 |
| Non-departmental | 1,470,050 | 1,688,050 | 1,330,129 | 357,921 |
| Human resources | 149,400 | 149,400 | 140,164 | 9,236 |
| Finance | 750,380 | 798,531 | 714,011 | 84,520 |
| MIS | 385,700 | 385,700 | 370,249 | 15,451 |
| Library | 904,600 | 904,600 | 859,368 | 45,232 |
| Recreation and community services | 597,600 | 597,600 | 577,099 | 20,501 |
| Police | 3,420,050 | 3,371,899 | 3,285,916 | 85,983 |
| Fire/EMS | 2,170,800 | 2,170,800 | 2,065,550 | 105,250 |
| Public works | 1,125,700 | 1,125,700 | 999,186 | 126,514 |
| Fleet maintenance | 184,300 | 184,300 | 139,704 | 44,596 |
| Buildings | 826,400 | 826,400 | 740,672 | 85,728 |
| **Total Expenditures** | 12,250,480 | 12,468,480 | 11,482,081 | 986,399 |
| Excess (deficiency) of revenues over expenditures | (982,946) | (1,200,946) | (284,723) | 916,223 |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from sale of assets | 25,000 | 25,000 | 40,975 | 15,975 |
| Transfers in | 565,113 | 565,113 | 436,381 | (128,732) |
| Transfers out | (516,000) | (558,880) | (558,878) | 2 |
| **Total other financing sources and uses** | 74,113 | 31,233 | (81,522) | (112,755) |
| Net change in fund balances | (908,833) | (1,169,713) | (366,245) | 803,468 |
| **Fund balance, beginning of year** | 5,842,997 | 5,842,997 | 5,842,997 | - |
| **Fund balance, end of year** | $ 4,934,164 | $ 4,673,284 | $ 5,476,752 | $ 803,468 |

# CITY OF WATAUGA, TEXAS
## NOTES TO REQUIRED SUPPLEMENTARTY BUDGET INFORMATION
## Year Ended September 30, 2016

### BUDGETARY CONTROLS AND PROCEDURES

The City Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

- The proposed budget and all supporting schedules are filed with the City Secretary when submitted to City Council.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.

- The City Manager is authorized to transfer budgeted amounts between programs within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

- If at any time during a fiscal year, it is estimated by the City Manager that current year's expenditures in any fund will exceed available revenues (including fund balance at the start of the year), the City Manager shall recommend measures to the City Council to ensure that a positive fund balance is maintained.

- Budgets for the General, Special Revenue, Debt Service and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as amended by the City Council. Such appropriations lapse at year-end.

- Budgetary data for the Capital Projects Fund has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Fund is employed and comparison of actual results of operations to budgetary data for such funds is not presented.

- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Enterprise Funds. Budgetary control is maintained at the departmental level.

- Budgetary data for the Enterprise Funds has not been presented since the reporting on such budgets is not legally required. Budgetary control is maintained at the departmental level.

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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# NON MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Watauga Parks Development Corporation Sales Tax Fund – to account for a quarter-cent sales tax increase, approved by voters, to build and improve City parks.

Watauga Crime Control and Prevention Fund – to account for a half-cent sales tax increase approved by the voters to enhance law enforcement in Watauga.

Library Donation Fund – to account for public donations made to the City specifically for the benefit of the public library.

Municipal Court Security Fund – to account for a fee established in the 1997 Texas Legislative session to allow a $3 assessment on all court fines paid. This assessment allows municipalities to purchase security equipment such as surveillance cameras, bulletproof glass and bailiff costs for Municipal Court areas.

Municipal Court Technology Fund – to account for a fee established in the 1997 Texas legislative session to allow a $4 assessment on all court fines paid. This assessment allows municipalities to purchase and maintain technology equipment such as computer hardware and software for the benefit of the Municipal Court.

Municipal Court Juvenile Case Manager Fund – to account for a fee established and approved by City Council January 28, 2008 to allow a $5 assessment per misdemeanor offense. Fees are paid out of this fund to pay personnel costs of the Municipal Court Juvenile Case Manager.

Park Vista Fund – to account for revenue and expenditures associated with four acres of land annexed by the City.

Street Maintenance Sales Tax Fund – to account for a quarter-cent sales tax approved by voters on May 12, 2012 for an initial four years effective October 1, 2012. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote.

Traffic Safety Fund – to account for civil or administrative penalties to no more than $75 and late penalties to no more than $25. Legislation passed by 80$^{th}$ Texas Legislature allows a local government entity to use a photographic traffic signal enforcement system. One-half the net revenue from this fund is remitted to the Texas Comptroller for deposit into a Regional Trauma Account.

## DEBT SERVICE FUND

Watauga Parks Development Corporation Revenue Bonds – to accumulate monies for the payment of interest and principal on sales tax revenue bonds. Financing is provided by sales tax revenue.

## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Watauga Parks Development Corporation Construction Fund – to account for construction projects funded by the Watauga Parks Development Corporation.

Bunker Hill Drainage Capital Projects Fund – to account for drainage projects in the Bunker Hill area of the City.

# CITY OF WATAUGA, TEXAS
# COMBINING BALANCE SHEET
# NON MAJOR GOVERNMENTAL FUNDS
# September 30, 2016

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | WPDC Sales Tax Fund | Watauga Crime Control and Prevention Fund | Library Donation Fund | Municipal Court Security Fund | Municipal Court Technology Fund | Municipal Court Juvenile Case Manager Fund | Traffic Safety Fund |
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ 181,174 | $ 271,753 | $ 9,950 | $ 19,381 | $ 46,892 | $ 52,373 | $ 428,720 |
| Investments | 425,422 | 680,484 | 17,030 | 2,062 | 75,936 | 78,757 | - |
| Accounts receivable | 129,929 | 254,763 | 213 | 9 | 328 | 341 | - |
| Prepaids and deposits | 4,300 | 2,466 | - | - | - | - | - |
| Total assets | $ 740,825 | $ 1,209,466 | $ 27,193 | $ 21,452 | $ 123,156 | $ 131,471 | $ 428,720 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | $ 1,658 | $ 57,543 | $ - | $ - | $ 7,969 | $ - | $ 288,500 |
| Accrued liabilities | 10,182 | 53,504 | 127 | 814 | - | 615 | 9,277 |
| Total liabilities | 11,840 | 111,047 | 127 | 814 | 7,969 | 615 | 297,777 |
| FUND BALANCES | | | | | | | |
| Non-spendable | | | | | | | |
| Prepaid items | 4,300 | 2,466 | | - | | - | - |
| Restricted | | | | | | | |
| Capital acquisitions and contractual obligations | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Culture and recreation | 724,685 | - | 27,066 | - | - | - | - |
| Public w orks | - | - | - | - | - | - | - |
| Public safety | - | 1,095,953 | - | 20,638 | 115,187 | 130,856 | 130,943 |
| **Total Fund Balances** | 728,985 | 1,098,419 | 27,066 | 20,638 | 115,187 | 130,856 | 130,943 |
| **Total Liabilities and Fund Balances** | $ 740,825 | $ 1,209,466 | $ 27,193 | $ 21,452 | $ 123,156 | $ 131,471 | $ 428,720 |

| | | | | | Capital Projects Funds | | | |
|---|---|---|---|---|---|---|---|---|
| Park Vista Fund | Street Maintenance Sales Tax Fund | Total Special Revenue Funds | WPDC Revenue Bond Debt Service Fund | WPDC Construction Fund | Bunker Hill Drainage Fund | Total Capital Projects Funds | Total Non major Governmental Funds |
| $ 120 | $ 167,247 | $ 1,177,610 | $ 2,800 | $ 242,957 | $ 2 | $ 242,959 | $ 1,423,369 |
| - | 521,285 | 1,800,976 | - | 260,461 | - | 260,461 | 2,061,437 |
| - | 130,345 | 515,928 | - | 1,127 | - | 1,127 | 517,055 |
| - | - | 6,766 | - | - | - | - | 6,766 |
| $ 120 | $ 818,877 | $ 3,501,280 | $ 2,800 | $ 504,545 | $ 2 | $ 504,547 | $ 4,008,627 |
| | | | | | | | |
| $ - | $ 808 | $ 356,478 | $ - | $ - | $ - | $ - | $ 356,478 |
| - | - | 74,519 | - | - | - | - | 74,519 |
| - | 808 | 430,997 | - | - | - | - | 430,997 |
| | | | | | | | |
| | | - | | | | | |
| | | 6,766 | | - | - | - | 6,766 |
| | | | | | | | |
| - | - | - | - | 504,545 | 2 | 504,547 | 504,547 |
| - | - | - | 2,800 | - | - | - | 2,800 |
| 120 | - | 751,871 | - | - | - | - | 751,871 |
| - | 818,069 | 818,069 | - | - | - | - | 818,069 |
| - | - | 1,493,577 | - | - | - | - | 1,493,577 |
| 120 | 818,069 | 3,070,283 | 2,800 | 504,545 | 2 | 504,547 | 3,577,630 |
| $ 120 | $ 818,877 | $ 3,501,280 | $ 2,800 | $ 504,545 | $ 2 | $ 504,547 | $ 4,008,627 |

# CITY OF WATAUGA, TEXAS
# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# NON MAJOR GOVERNMENTAL FUNDS
# Year Ended September 30, 2016

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | WPDC Sales Tax Fund | Watauga Crime Control and Prevention Fund | Library Donation Fund | Municipal Court Security Fund | Municipal Court Technology Fund | Municipal Court Juvenile Case Manager Fund | Traffic Safety Fund |
| **Revenues** | | | | | | | |
| Taxes | $ 731,050 | $ 1,446,654 | $ - | $ - | $ - | $ - | $ - |
| Fines and forfeitures | - | - | - | - | - | - | 755,904 |
| Interest income | 4,282 | 2,132 | 173 | 14 | 774 | 795 | - |
| Miscellaneous | - | 47,494 | 5,687 | 16,835 | 22,206 | 27,533 | - |
| Total revenues | 735,332 | 1,496,280 | 5,860 | 16,849 | 22,980 | 28,328 | 755,904 |
| **Expenditures** | | | | | | | |
| **Current:** | | | | | | | |
| Public safety | - | 1,507,009 | - | 19,181 | 4,237 | 17,981 | 630,291 |
| Culture and recreation | 603,723 | - | 1,658 | - | - | - | - |
| Public w orks | - | - | - | - | - | - | - |
| **Capital outlay** | - | 37,662 | - | - | 9,859 | - | - |
| **Total Expenditures** | 603,723 | 1,544,671 | 1,658 | 19,181 | 14,096 | 17,981 | 630,291 |
| Excess (deficiency) of revenues over expenditures | 131,609 | (48,391) | 4,202 | (2,332) | 8,884 | 10,347 | 125,613 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Proceeds from sale of assets | - | 14,810 | - | - | - | - | - |
| Transfers out | (85,542) | (113,942) | - | (15,000) | - | - | - |
| Total other financing sources (uses) | (85,542) | (99,132) | - | (15,000) | - | - | - |
| Net change in fund balances | 46,067 | (147,523) | 4,202 | (17,332) | 8,884 | 10,347 | 125,613 |
| **Fund balances - beginning** | 682,918 | 1,245,942 | 22,864 | 37,970 | 106,303 | 120,509 | 5,330 |
| **Fund balances - ending** | $ 728,985 | $ 1,098,419 | $ 27,066 | $ 20,638 | $ 115,187 | $ 130,856 | $ 130,943 |

| | | | | Capital Projects Funds | | | |
|---|---|---|---|---|---|---|---|
| Park Vista Fund | Street Maintenance Sales Tax Fund | Total Special Revenue Funds | WPDC Revenue Bond Debt Service Fund | WPDC Construction Fund | Bunker Hill Drainage Fund | Total Capital Projects Funds | Total Non major Governmental Funds |
| $ - | $ 723,280 | $ 2,900,984 | $ - | $ - | $ - | $ - | $ 2,900,984 |
| - | - | 755,904 | - | - | - | - | 755,904 |
| - | 5,963 | 14,133 | 13 | 2,673 | - | 2,673 | 16,819 |
| - | - | 119,755 | - | - | - | - | 119,755 |
| - | 729,243 | 3,790,776 | 13 | 2,673 | - | 2,673 | 3,793,462 |
| - | - | 2,178,699 | - | - | - | - | 2,178,699 |
| - | - | 605,381 | - | - | - | - | 605,381 |
| - | 103,030 | 103,030 | - | - | - | - | 103,030 |
| - | 463,002 | 510,523 | - | 21,856 | - | 21,856 | 532,379 |
| - | 566,032 | 3,397,633 | - | 21,856 | - | 21,856 | 3,419,489 |
| - | 163,211 | 393,143 | 13 | (19,183) | - | (19,183) | 373,973 |
| - | | 14,810 | - | - | - | - | 14,810 |
| - | - | (214,484) | - | - | - | - | (214,484) |
| - | - | (199,674) | - | - | - | - | (199,674) |
| - | 163,211 | 193,469 | 13 | (19,183) | - | (19,183) | 174,299 |
| 120 | 654,858 | 2,876,814 | 2,787 | 523,728 | 2 | 523,730 | 3,403,331 |
| $ 120 | $ 818,069 | $ 3,070,283 | $ 2,800 | $ 504,545 | $ 2 | $ 504,547 | $ 3,577,630 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# WPDC SALES TAX SPECIAL REVENUE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual | Variance Positive / |
|---|---|---|---|---|
| | Original Budget | Final Budget | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 772,262 | $ 772,262 | $ 731,050 | $ (41,212) |
| Investment income | 500 | 500 | 4,282 | 3,782 |
| Total Revenues | 772,762 | 772,762 | 735,332 | (37,430) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Culture and recreation | 707,850 | 707,850 | 603,723 | 104,127 |
| Total Expenditures | 707,850 | 707,850 | 603,723 | 104,127 |
| Excess (deficiency) of revenues over expenditures | 64,912 | 64,912 | 131,609 | 66,697 |
| **Other financing sources (uses)** | | | | |
| Transfers out | (87,613) | (87,613) | (85,542) | 2,071 |
| Total other financing sources (uses) | (87,613) | (87,613) | (85,542) | 2,071 |
| Net change in fund balances | (22,701) | (22,701) | 46,067 | 68,768 |
| **Fund balances, beginning of year** | 682,918 | 682,918 | 682,918 | - |
| **Fund balances, end of year** | $ 660,217 | $ 660,217 | $ 728,985 | $ 68,768 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Taxes | $ 1,544,525 | $ 1,544,525 | $ 1,446,654 | $ (97,871) |
| Interest income | 500 | 500 | 2,132 | 1,632 |
| Miscellaneous | 38,000 | 38,000 | 47,494 | 9,494 |
| Total revenues | 1,583,025 | 1,583,025 | 1,496,280 | (86,745) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Public safety | 1,586,200 | 1,586,200 | 1,507,009 | 79,191 |
| Capital Outlay | 28,000 | 86,000 | 37,662 | 48,338 |
| Total expenditures | 1,614,200 | 1,672,200 | 1,544,671 | 127,529 |
| Excess (deficiency) of revenues over expenditures | (31,175) | (89,175) | (48,391) | 40,784 |
| **Other financing sources (uses)** | | | | |
| Proceeds from sale of assets | - | - | 14,810 | (14,810) |
| Transfers out | (115,000) | (115,000) | (113,942) | (1,058) |
| Total other financing sources (uses) | (115,000) | (115,000) | (99,132) | (15,868) |
| Net change in fund balances | (146,175) | (204,175) | (147,523) | 56,652 |
| **Fund balances, beginning of year** | 1,245,942 | 1,245,942 | 1,245,942 | - |
| **Fund balances, end of year** | $ 1,099,767 | $ 1,041,767 | $ 1,098,419 | $ 56,652 |

# CITY OF WATAUGA, TEXAS
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## LIBRARY DONATION SPECIAL REVENUE FUND
## Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Interest income | $ 40 | $ 40 | $ 173 | $ 133 |
| Miscellaneous | 8,000 | 8,000 | 5,687 | (2,313) |
| Total Revenues | 8,040 | 8,040 | 5,860 | (2,180) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Culture and recreation | 13,830 | 13,830 | 1,658 | 12,172 |
| Total expenditures | 13,830 | 13,830 | 1,658 | 12,172 |
| Net change in fund balances | (5,790) | (5,790) | 4,202 | 9,992 |
| **Fund balances, beginning of year** | 22,864 | 22,864 | 22,864 | - |
| **Fund balances, end of year** | $ 17,074 | $ 17,074 | $ 27,066 | $ 9,992 |

# CITY OF WATAUGA, TEXAS
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND
## Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Investment earnings | $ 20 | $ 20 | $ 14 | $ (6) |
| Other | 16,000 | 16,000 | 16,835 | 835 |
| Total Revenues | 16,020 | 16,020 | 16,849 | 829 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Public safety | 25,450 | 25,450 | 19,181 | 6,269 |
| Total Expenditures | 25,450 | 25,450 | 19,181 | 6,269 |
| **Excess (deficiency) of revenues over expenditures** | (9,430) | (9,430) | (2,332) | 7,098 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers (to) other funds | (15,000) | (15,000) | (15,000) | - |
| **Total other financing sources (uses)** | (15,000) | (15,000) | (15,000) | - |
| Net change in fund balances | (24,430) | (24,430) | (17,332) | 7,098 |
| **Fund balances, beginning of year** | 37,970 | 37,970 | 37,970 | - |
| **Fund balances, end of year** | $ 13,540 | $ 13,540 | $ 20,638 | $ 7,098 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Interest income | $ 100 | $ 100 | $ 774 | $ 674 |
| Miscellaneous | 19,000 | 19,000 | 22,206 | 3,206 |
| Total revenues | 19,100 | 19,100 | 22,980 | 3,880 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Public safety | 7,500 | 7,500 | 4,237 | 3,263 |
| Capital Outlay | - | 10,500 | 9,859 | 641 |
| Total expenditures | 7,500 | 18,000 | 14,096 | 3,904 |
| Net change in fund balances | 11,600 | 1,100 | 8,884 | 7,784 |
| **Fund balances, beginning of year** | 106,303 | 106,303 | 106,303 | - |
| **Fund balances, end of year** | $ 117,903 | $ 107,403 | $ 115,187 | $ 7,784 |

# CITY OF WATAUGA, TEXAS
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND
## Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Investment earnings | $ 100 | $ 100 | $ 795 | $ 695 |
| Other | 25,000 | 25,000 | 27,533 | 2,533 |
| **Total Revenues** | 25,100 | 25,100 | 28,328 | 3,228 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Public safety | 21,960 | 21,960 | 17,981 | 3,979 |
| Total expenditures | 21,960 | 21,960 | 17,981 | 3,979 |
| Net change in fund balances | 3,140 | 3,140 | 10,347 | 7,207 |
| **Fund balances, beginning of year** | 120,509 | 120,509 | 120,509 | - |
| **Fund balances at year end** | $ 123,649 | $ 123,649 | $ 130,856 | $ 7,207 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# STREET MAINTENANCE SALES TAX SPECIAL REVENUE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual Amounts | Variance Positive / (Negative) |
|---|---|---|---|---|
| | Original Budget | Final Budget | | |
| **Revenues** | | | | |
| Sales taxes | $ 779,834 | $ 779,834 | $ 723,280 | $ (56,554) |
| Investment earnings | - | - | 5,963 | 5,963 |
| Total revenues | 779,834 | 779,834 | 729,243 | (50,591) |
| **Expenditures** | | | | |
| Public works | 110,000 | 110,000 | 103,030 | 6,970 |
| Capital outlay | 500,000 | 500,000 | 463,002 | 36,998 |
| Total expenditures | 610,000 | 610,000 | 566,032 | 43,968 |
| **Net change in fund balance** | 169,834 | 169,834 | 163,211 | (6,623) |
| **Fund balances, beginning of year** | 654,858 | 654,858 | 654,858 | - |
| **Fund balances at year end** | $ 824,692 | $ 824,692 | $ 818,069 | $ (6,623) |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# TRAFFIC SAFETY SPECIAL REVENUE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual | Variance Positive / |
|---|---|---|---|---|
| | Original Budget | Final Budget | Amounts | (Negative) |
| **Revenues** | | | | |
| Fines and forfeits | $ 615,000 | $ 615,000 | $ 755,904 | $ 140,904 |
| Total Revenues | 615,000 | 615,000 | 755,904 | 140,904 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Public safety | 572,560 | 572,560 | 630,291 | (57,731) |
| Total expenditures | 572,560 | 572,560 | 630,291 | (57,731) |
| Net change in fund balances | 42,440 | 42,440 | 125,613 | 83,173 |
| **Fund balances, beginning of year** | 5,330 | 5,330 | 5,330 | - |
| **Fund balances at year end** | $ 47,770 | $ 47,770 | $ 130,943 | $ 83,173 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# GENERAL OBLIGATION DEBT SERVICE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual | Variance Positive / |
|---|---|---|---|---|
| | Original Budget | Final Budget | Amounts | (Negative) |
| **Revenues** | | | | |
| **Taxes** | | | | |
| Property taxes | $ 1,765,000 | $ 1,765,000 | $ 1,802,013 | $ 37,013 |
| Penalties and interest | 12,000 | 12,000 | 9,771 | (2,229) |
| Interest income | 800 | 800 | 1,497 | 697 |
| Total revenues | 1,777,800 | 1,777,800 | 1,813,281 | 35,481 |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal | 1,390,000 | 1,390,000 | 1,390,000 | - |
| Interest | 370,410 | 370,410 | 367,576 | 2,834 |
| Total expenditures | 1,760,410 | 1,760,410 | 1,757,576 | 2,834 |
| Excess (deficiency) of revenues over expenditures | 17,390 | 17,390 | 55,705 | 38,315 |
| Net change in fund balances | 17,390 | 17,390 | 55,705 | 38,315 |
| **Fund balances, beginning of year** | 339,487 | 339,487 | 339,487 | - |
| **Fund balances at year end** | $ 356,877 | $ 356,877 | $ 395,192 | $ 38,315 |

# CITY OF WATAUGA, TEXAS
# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
# WPDC REVENUE BOND DEBT SERVICE FUND
# Year Ended September 30, 2016

| | Budget Amounts | | Actual | Variance Positive / |
|---|---|---|---|---|
| | Original Budget | Final Budget | Amounts | (Negative) |
| **Revenues** | | | | |
| Interest income | $ - | $ - | $ 13 | $ 13 |
| Total revenues | - | - | 13 | 13 |
| Excess (deficiency) of revenues over expenditures | - | - | 13 | 13 |
| Net change in fund balances | - | - | 13 | 13 |
| **Fund balances, beginning of year** | 2,787 | 2,787 | 2,787 | - |
| **Fund balances at year end** | $ 2,787 | $ 2,787 | $ 2,800 | $ 13 |

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# STATISTICAL SECTION
# (Unaudited)

# STATISTICAL SECTION

This part of the City of Watauga's Comprehensive Annual Financial Report provides detailed information to help the reader better understand information presented within the financial statements, note disclosures, and required supplementary information and how they relate to the City's overall financial health.

| | |
|---|---|
| **Financial Trends**<br>Contains trend information to aid the reader in understanding how the City's financial performance has changed over time. | (Tables 1-4) |
| **Revenue Capacity**<br>Contains information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues. | (Tables 5-10) |
| **Debt Capacity**<br>Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | (Tables 11-14) |
| **Demographic and Economic Information**<br>Offers information to help the reader understand the environment within which the City's financial activities take place. | (Tables 15-16) |
| **Operating Information**<br>Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs. | (Tables 17-19) |

*Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB34 in the 2003 fiscal year, schedules presenting government-wide information include information beginning in that year.*

**Table 1**

**CITY OF WATAUGA**
**NET POSITION BY COMPONENT**
**Last Ten Fiscal Years**
*(accrual basis of accounting)*
*(Unaudited)*

| | 2007 (1) | 2008 (1) | 2009 (1) | 2010 (1) | 2011 (1) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | $ 28,537,817 | $ 31,150,229 | $ 30,732,214 | $ 32,581,629 | $ 32,223,143 | $ 34,487,229 | $ 36,189,453 | $ 36,422,084 | $ 36,792,569 | $ 36,945,402 |
| Restricted | 367,219 | 482,624 | 580,384 | 489,133 | 714,041 | 439,660 | 478,895 | 534,026 | 295,177 | 371,859 |
| Unrestricted | 7,951,823 | 7,027,793 | 8,390,973 | 8,145,817 | 9,300,712 | 7,569,861 | 6,506,337 | 6,995,208 | 4,513,351 | 4,306,823 |
| Total governmental activities net position | $ 36,856,859 | $ 38,660,646 | $ 39,703,571 | $ 41,216,579 | $ 42,237,896 | $ 42,496,750 | $ 43,174,685 | $ 43,951,318 | $ 41,601,097 | $ 41,624,084 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | $ 15,225,107 | $ 15,606,285 | $ 16,389,484 | $ 17,035,479 | $ 13,630,412 | $ 19,182,389 | $ 19,337,856 | $ 20,531,108 | $ 21,545,419 | $ 24,344,617 |
| Restricted | 204,791 | 487,762 | 32,326 | 36,788 | 38,565 | 58,469 | 71,731 | 87,591 | 18,283 | - |
| Unrestricted | 5,018,055 | 4,702,911 | 5,072,765 | 4,383,221 | 8,059,411 | 4,053,800 | 5,337,852 | 5,506,717 | 4,493,409 | 3,139,921 |
| Total business-type activities net position | $ 20,447,953 | $ 20,796,958 | $ 21,494,575 | $ 21,455,488 | $ 21,728,388 | $ 23,294,658 | $ 24,747,439 | $ 26,125,416 | $ 26,057,111 | $ 27,484,538 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | $ 43,762,924 | $ 46,756,514 | $ 47,121,698 | $ 49,617,108 | $ 45,853,555 | $ 53,669,618 | $ 55,527,309 | $ 56,953,192 | $ 58,337,988 | $ 61,290,019 |
| Restricted | 572,010 | 970,386 | 612,710 | 525,921 | 752,606 | 498,129 | 550,626 | 621,617 | 313,460 | 371,859 |
| Unrestricted | 12,969,878 | 11,730,704 | 13,463,738 | 12,529,038 | 17,360,123 | 11,623,661 | 11,844,189 | 12,501,925 | 9,006,760 | 7,446,744 |
| Total primary government net position | $ 57,304,812 | $ 59,457,604 | $ 61,198,146 | $ 62,672,067 | $ 63,966,284 | $ 65,791,408 | $ 67,922,124 | $ 70,076,734 | $ 67,658,208 | $ 69,108,622 |

Source: Comprehensive Annual Financial Reports

*(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.*

**Table 2**

**CITY OF WATAUGA**
**CHANGES IN NET POSITION**
**Last Ten Fiscal Years**
*(accrual basis of accounting)*
*(Unaudited)*

| | 2007 (1) | 2008 (1) | 2009 (1) | 2010 (1) | 2011 (1) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | $ 4,564,852 | $ 4,764,459 | $ 4,821,004 | $ 5,051,415 | $ 5,631,743 | $ 6,334,463 | $ 5,965,810 | $ 5,946,991 | $ 5,928,568 | $ 6,107,863 |
| Public Safety | 4,203,329 | 4,168,608 | 4,209,793 | 4,431,774 | 4,754,148 | 4,678,418 | 5,135,677 | 5,121,732 | 5,430,215 | 6,029,558 |
| Public Works | 1,217,456 | 1,945,380 | 1,993,867 | 2,136,811 | 2,008,511 | 1,771,771 | 1,473,221 | 1,980,003 | 1,315,752 | 987,328 |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | 2,111,068 | 2,224,257 | 2,108,473 | 1,648,292 | 2,372,064 | 2,467,403 | 2,372,941 | 2,411,179 | 3,077,296 | 3,724,218 |
| Interest on long-term debt | 675,444 | 661,324 | 679,483 | 560,285 | 471,940 | 755,827 | 496,694 | 364,167 | 446,308 | 377,813 |
| Total governmental activities expenses | 12,772,149 | 13,764,028 | 13,812,620 | 13,828,577 | 15,238,406 | 16,007,882 | 15,444,343 | 15,824,072 | 16,198,139 | 17,226,780 |
| Business-type activities: | | | | | | | | | | |
| Water and Sewer | 5,478,534 | 6,127,753 | 5,886,812 | 6,260,844 | 6,199,136 | 6,458,485 | 6,502,520 | 6,416,253 | 7,232,341 | 7,300,779 |
| Drainage Utility | 923,988 | 877,922 | 901,079 | 843,690 | 914,987 | 1,080,620 | 1,152,248 | 1,087,378 | 946,494 | 932,806 |
| Total business-type activities expenses | 6,402,522 | 7,005,675 | 6,787,891 | 7,104,534 | 7,114,123 | 7,539,105 | 7,654,768 | 7,503,631 | 8,178,835 | 8,233,585 |
| Total primary government expenses | $ 19,174,671 | $ 20,769,703 | $ 20,600,511 | $ 20,933,111 | $ 22,352,529 | $ 23,546,987 | $ 23,099,111 | $ 23,327,703 | $ 24,376,974 | $ 25,460,365 |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Fees, Fines, and Charges for services: | | | | | | | | | | |
| General Government | $ 84,299 | $ 87,993 | $ 102,044 | $ 212,514 | $ 320,960 | $ 90,425 | $ 133,938 | $ 125,385 | $ 123,006 | $ 131,200 |
| Public Safety | 1,321,651 | 1,188,612 | 1,323,097 | 1,330,535 | 1,772,981 | 1,994,440 | 1,660,967 | 1,852,051 | 1,799,906 | 2,015,413 |
| Public Works | 436,199 | 438,719 | 434,925 | 214,136 | 244,236 | 456,805 | 430,403 | 489,628 | 468,706 | 634,100 |
| Culture and recreation | 247,893 | 214,755 | 220,824 | 390,920 | 442,579 | 233,136 | 254,023 | 273,498 | 272,611 | 274,796 |
| Other activities | - | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 105,464 | 68,346 | 64,747 | 62,761 | 20,646 | 16,909 | 20,088 | 16,438 | 13,959 | 35,537 |
| Capital grants and contributions | - | - | - | 161,482 | 168,941 | - | 209,350 | - | - | - |
| Total governmental activities program revenues | 2,195,506 | 1,998,425 | 2,145,637 | 2,372,348 | 2,970,343 | 2,791,715 | 2,708,769 | 2,757,000 | 2,678,188 | 3,091,046 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and Sewer | 6,499,187 | 6,827,535 | 6,710,552 | 6,683,362 | 7,040,653 | 8,221,767 | 8,159,949 | 7,894,765 | 7,877,670 | 8,660,703 |
| Drainage Utility | 693,611 | 696,073 | 698,711 | 700,295 | 702,665 | 1,296,024 | 1,413,708 | 1,416,053 | 1,419,324 | 1,410,213 |
| Operating grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | - | - | - | 16 | - | - |
| Total business-type activities program revenues | 7,192,798 | 7,523,608 | 7,409,263 | 7,383,657 | 7,743,318 | 9,517,791 | 9,573,657 | 9,310,834 | 9,296,994 | 10,070,916 |
| Total primary government program revenues | $ 9,388,304 | $ 9,522,033 | $ 9,554,900 | $ 9,756,005 | $ 10,713,661 | $ 12,309,506 | $ 12,282,426 | $ 12,067,834 | $ 11,975,182 | $ 13,161,962 |

**Table 2**
(continued)

**CITY OF WATAUGA**
**CHANGES IN NET POSITION, LAST TEN FISCAL YEARS**
*(accrual basis of accounting)*
*(Unaudited)*

| | 2007 (1) | 2008 (1) | 2009 (1) | 2010 (1) | 2011 (1) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (Expense)/Revenue** | | | | | | | | | | |
| Governmental activities | $ (10,576,643) | $ (11,765,603) | $ (11,666,983) | $ (11,456,229) | $ (12,268,063) | $ (13,216,167) | $ (12,735,574) | $ (13,067,072) | $ (13,519,951) | $ (14,135,734) |
| Business-type activities | 790,276 | 517,933 | 621,372 | 279,123 | 629,195 | 1,978,686 | 1,918,889 | 1,807,203 | 1,118,159 | 1,837,331 |
| Total primary government net expense | $ (9,786,367) | $ (11,247,670) | $ (11,045,611) | $ (11,177,106) | $ (11,638,868) | $ (11,237,481) | $ (10,816,685) | $ (11,259,869) | $ (12,401,792) | $ (12,298,403) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | $ 5,747,974 | $ 6,070,750 | $ 5,999,752 | $ 5,947,914 | $ 5,627,282 | $ 5,689,606 | $ 5,627,201 | $ 5,677,248 | $ 5,943,335 | $ 6,246,763 |
| Franchise taxes | 940,273 | 954,692 | 1,033,043 | 1,039,844 | 1,216,628 | 1,090,651 | 1,065,054 | 1,125,164 | 1,184,339 | 1,114,190 |
| Sales taxes | 5,017,072 | 5,209,951 | 4,951,896 | 5,144,963 | 5,626,261 | 5,685,949 | 5,675,542 | 6,008,050 | 6,284,432 | 5,868,069 |
| Penalties and Interest | 46,461 | 57,424 | 44,683 | 44,805 | 40,246 | 39,239 | 33,006 | 32,724 | 42,000 | 32,295 |
| Payments in lieu of taxes | 357,899 | 370,387 | 371,890 | 360,928 | 370,075 | 460,537 | 471,721 | 469,219 | 458,232 | 370,897 |
| Investment earnings | 817,791 | 568,060 | 280,729 | 69,855 | 38,733 | 32,675 | 25,392 | 10,763 | 29,030 | 68,650 |
| Gain on Sale of Assets | - | - | (6,747) | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | 15,828 | 43,872 | 51,317 | 26,435 | 3,960 |
| Transfers | 357,899 | 370,388 | 34,662 | 360,928 | 370,155 | 460,537 | 471,721 | 469,219 | 578,070 | 453,897 |
| Total governmental activities | 13,285,369 | 13,601,652 | 12,709,908 | 12,969,237 | 13,289,380 | 13,475,022 | 13,413,509 | 13,843,704 | 14,545,873 | 14,158,721 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 310,789 | 201,460 | 110,910 | 24,115 | 13,860 | 8,256 | 5,613 | 3,384 | 21,017 | 43,863 |
| Miscellaneous revenue | - | - | - | - | - | 39,865 | 0 | 36,608 | 9,196 | 130 |
| Transfers | (357,899) | (370,388) | (34,662) | (360,928) | (370,155) | (460,537) | (471,721) | (469,219) | (578,070) | (453,897) |
| Total business-type activities | (47,110) | (168,928) | 76,248 | (336,813) | (356,295) | (412,416) | (466,108) | (429,227) | (547,857) | (409,904) |
| Total primary government | $ 13,238,259 | $ 13,432,724 | $ 12,786,156 | $ 12,632,424 | $ 12,933,085 | $ 13,062,606 | $ 12,947,401 | $ 13,414,477 | $ 13,998,016 | $ 13,748,817 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | $ 2,708,726 | $ 1,836,049 | $ 1,042,925 | $ 1,513,008 | $ 1,021,317 | $ 258,855 | $ 677,935 | $ 776,632 | $ 1,025,922 | $ 22,987 |
| Business-type activities | 743,166 | 349,005 | 697,620 | (57,690) | 272,900 | 1,566,270 | 1,452,781 | 1,377,976 | 570,302 | 1,427,427 |
| Total primary government | $ 3,451,892 | $ 2,185,054 | $ 1,740,545 | $ 1,455,318 | $ 1,294,217 | $ 1,825,125 | $ 2,130,716 | $ 2,154,608 | $ 1,596,224 | $ 1,450,414 |

Source: Comprehensive Annual Financial Reports

*(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.*

**Table 3**

**CITY OF WATAUGA**
**FUND BALANCES, GOVERNMENTAL FUNDS**
**Last Ten Fiscal Years**
*(modified accrual basis of accounting)*
*(Unaudited)*

| | 2007 | 2008 | 2009 | 2010 | 2011** | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | | | | | | | | | | |
| Non-spendable | | | | | | | | | | |
| Inventories | | | | | $ 19,280 | $ 30,009 | $ 16,182 | $ 16,095 | $ 17,389 | $ 17,636 |
| Prepaid | | | | | - | 1,060 | 8,602 | 106,545 | 91,173 | 184,729 |
| Assigned | | | | | | | | | | |
| Other purposes | | | | | 37,698 | 30,512 | - | - | - | - |
| Unassigned | | | | | 6,136,979 | 5,584,021 | 5,516,922 | 5,914,070 | 5,734,435 | 5,274,387 |
| Total general fund** | | | | | $ 6,193,957 | $ 5,645,602 | $ 5,541,706 | $ 6,036,710 | $ 5,842,997 | $ 5,476,752 |
| Reserved* | $ - | $ - | $ - | $ 27,870 | $ - | $ - | $ - | $ - | $ - | $ - |
| Unreserved | 6,025,394 | 6,457,507 | 6,690,658 | 6,339,861 | - | - | - | - | - | - |
| Total general fund | $ 6,025,394 | $ 6,457,507 | $ 6,690,658 | $ 6,367,731 | $ - | $ - | $ - | $ - | $ - | $ - |
| All Other Governmental Funds | | | | | | | | | | |
| Non-spendable | | | | | | | | | | |
| Prepaid items | | | | | $ 789,450 | $ - | $ - | $ 7,770 | $ 26,021 | $ 6,766 |
| Restricted | | | | | | | | | | |
| Capital acquisitions and contractual obligations | | | | | 5,179,695 | 2,976,396 | 2,356,746 | 5,239,060 | 4,076,280 | 8,578,094 |
| Debt service | | | | | 444,941 | 469,446 | 485,087 | 540,837 | 342,274 | 397,992 |
| Culture and recreation | | | | | 1,979,061 | 1,933,581 | 914,222 | 742,157 | 695,139 | 751,871 |
| Public Works | | | | | - | - | 210,288 | 421,174 | 654,858 | 818,069 |
| Public Safety | | | | | 2,034,849 | 1,222,484 | 1,345,927 | 1,389,689 | 1,500,796 | 1,493,577 |
| Total all other governmental funds | | | | | $ 10,427,996 | $ 6,601,907 | $ 5,312,270 | $ 8,340,687 | $ 7,295,368 | $ 12,046,369 |
| Reserved | $ 453,327 | $ 570,496 | $ 684,739 | $ 574,998 | $ - | $ - | $ - | $ - | $ - | $ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 2,210,412 | 2,074,940 | 2,627,994 | 2,922,789 | - | - | - | - | - | - |
| Capital projects funds | 8,625,216 | 6,280,220 | 3,862,015 | 4,006,543 | - | - | - | - | - | - |
| Debt service funds | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | $ 11,288,955 | $ 8,925,656 | $ 7,174,748 | $ 7,504,330 | $ - | $ - | $ - | $ - | $ - | $ - |

Note: *Includes encumbrances and prepaid items
** Beginning 2011, fund balances are reported using GASB 54 classifications
Source: Comprehensive Annual Financial Reports

**Table 4**

**CITY OF WATAUGA**
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**
**Last Ten Fiscal Years**
*(modified accrual basis of accounting)*
*(Unaudited)*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Taxes | $ 11,749,979 | $ 12,143,072 | $ 12,014,774 | $ 12,189,384 | $ 12,523,295 | $ 12,464,130 | $ 12,407,885 | $ 12,822,665 | $ 13,471,718 | $ 13,263,260 |
| Licenses, fees and permits | 264,952 | 268,657 | 257,159 | 218,013 | 262,778 | 270,716 | 250,579 | 309,592 | 285,258 | 454,991 |
| Fines and penalties | 542,368 | 609,945 | 646,535 | 699,238 | 680,564 | 664,507 | 625,613 | 777,747 | 748,687 | 741,565 |
| Charges for services | 546,759 | 709,477 | 701,608 | 884,038 | 1,439,291 | 1,593,653 | 1,351,756 | 1,396,063 | 1,298,897 | 1,563,928 |
| Special assessments | - | - | - | - | - | - | - | - | - | - |
| Intergovernmental | 357,899 | 370,387 | 371,890 | 360,928 | 370,075 | 460,537 | 471,721 | 469,219 | 458,232 | 370,897 |
| Investment earnings | 817,789 | 568,060 | 280,729 | 69,855 | 37,640 | 32,208 | 24,871 | 10,252 | 26,987 | 59,651 |
| Other revenues | 360,742 | 278,511 | 292,247 | 544,859 | 648,553 | 262,839 | 511,617 | 306,504 | 320,016 | 364,976 |
| Total revenues | 14,640,488 | 14,948,109 | 14,564,942 | 14,966,315 | 15,962,196 | 15,748,590 | 15,644,042 | 16,092,042 | 16,609,795 | 16,819,268 |
| **Expenditures** | | | | | | | | | | |
| General government | 4,237,148 | 4,509,573 | 4,606,396 | 4,822,147 | 5,529,085 | 5,864,502 | 5,420,278 | 5,377,270 | 5,728,240 | 5,760,512 |
| Public Safety | 3,660,257 | 3,828,676 | 3,949,284 | 4,096,391 | 4,478,774 | 4,889,939 | 4,684,746 | 4,964,649 | 5,071,414 | 5,464,615 |
| Public Works | 642,947 | 721,456 | 744,743 | 741,395 | 776,906 | 876,295 | 910,769 | 889,230 | 1,016,998 | 1,102,216 |
| Parks and recreation | 1,894,061 | 2,068,439 | 1,977,466 | 1,986,185 | 2,080,067 | 2,189,744 | 2,092,790 | 2,029,768 | 1,992,632 | 2,041,848 |

**Table 4**
(continued)

**CITY OF WATAUGA**
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**
**Last Ten Fiscal Years**
*(modified accrual basis of accounting)*
*(Unaudited)*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital outlay | $ 2,352,243 | $ 4,296,632 | $ 2,753,788 | $ 1,594,427 | $ 3,935,880 | $ 4,154,050 | $ 2,414,949 | $ 1,231,682 | $ 1,771,807 | $ 2,203,694 |
| Debt service | | | | | | | | | | |
| Interest | 568,442 | 608,920 | 608,335 | 550,788 | 591,733 | 558,491 | 529,045 | 484,055 | 428,072 | 471,377 |
| Principal | 1,530,000 | 1,385,000 | 1,477,349 | 1,529,255 | 1,540,000 | 2,066,378 | 1,515,502 | 1,587,774 | 1,850,150 | 1,447,632 |
| Total expenditures | 14,885,098 | 17,418,696 | 16,117,361 | 15,320,588 | 18,932,445 | 20,599,399 | 17,568,079 | 16,564,428 | 17,859,313 | 18,491,894 |
| Excess of revenues over (under) expenditures | (244,610) | (2,470,587) | (1,552,419) | (354,273) | (2,970,249) | (4,850,809) | (1,924,037) | (472,386) | (1,249,518) | (1,672,626) |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Proceeds from borrowing | 3,584,999 | - | - | - | 5,284,887 | - | - | 3,594,057 | - | 5,885,000 |
| Proceeds from refunding | 2,670,000 | - | - | - | 1,020,000 | - | 2,145,000 | - | - | - |
| Payments to escrow agent | (2,774,214) | - | - | - | (1,002,832) | - | (2,099,293) | - | - | - |
| Bond Issuance Costs | (45,718) | - | - | - | | - | - | - | - | 193,580 |
| Sale of Asset | - | - | - | - | 47,931 | 15,828 | 13,076 | 222,531 | 25,416 | 55,785 |
| Transfers in | 1,823,540 | 2,449,405 | 664,172 | 2,375,290 | 1,135,495 | 2,003,017 | 1,870,557 | 845,519 | 990,970 | 696,379 |
| Transfers out | (1,465,641) | (2,079,017) | (629,510) | (2,014,362) | (765,340) | (1,542,480) | (1,398,836) | (576,300) | (1,095,900) | (773,362) |
| Total other financing sources (uses) | 3,792,966 | 370,388 | 34,662 | 360,928 | 5,720,141 | 476,365 | 530,504 | 4,085,807 | (79,514) | 6,057,382 |
| Net change in fund balances | $ 3,548,356 | $ (2,100,199) | $ (1,517,757) | $ 6,655 | $ 2,749,892 | $ (4,374,444) | $ (1,393,533) | $ 3,613,421 | $ (1,329,032) | $ 4,384,756 |
| Debt service as a percentage of noncapital expenditures | 16.7% | 15.2% | 15.6% | 15.2% | 14.2% | 16.0% | 13.5% | 13.5% | 13.8% | 11.4% |

Source: Comprehensive Annual Financial Reports

**Table 5**

**CITY OF WATAUGA**
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**
**Last Ten Fiscal Years**
***(Unaudited)***

| Fiscal Year | Estimated Market Value: Real Property | Estimated Market Value: Personal Property | Estimated Market Value: Total Market Value | Less: Tax-Exempt Property | Total Taxable Assessed Value[a] | Total Direct Tax Rate |
|---|---|---|---|---|---|---|
| 2007 | $ 1,022,670,335 | $ 61,743,271 | $ 1,084,413,606 | $ 84,469,429 | $ 999,944,177 | 0.580763 |
| 2008 | 1,040,261,804 | 62,689,353 | 1,102,951,157 | 86,640,804 | 1,016,310,353 | 0.580763 |
| 2009 | 1,049,378,376 | 62,631,471 | 1,112,009,847 | 84,725,733 | 1,027,284,114 | 0.580763 |
| 2010 | 1,039,914,283 | 59,970,228 | 1,099,884,511 | 92,105,295 | 1,007,779,216 | 0.580763 |
| 2011 | 1,009,121,712 | 58,195,469 | 1,067,317,181 | 95,532,598 | 971,784,583 | 0.580763 |
| 2012 | 999,533,945 | 62,820,983 | 1,062,354,928 | 98,182,457 | 964,172,471 | 0.589001 |
| 2013 | 1,000,809,690 | 59,216,606 | 1,060,026,296 | 100,655,583 | 959,370,713 | 0.591216 |
| 2014 | 1,000,519,629 | 59,016,802 | 1,059,536,431 | 103,068,099 | 956,468,332 | 0.591216 |
| 2015 | 1,061,590,252 | 60,822,613 | 1,122,412,865 | 105,745,517 | 1,016,667,348 | 0.591216 |
| 2016 | 1,026,885,318 | 62,537,180 | 1,089,422,498 | 108,372,567 | 981,049,931 | 0.618718 |

**Source:** Tarrant Appraisal District (www.tad.org)

[a] Assessed value taken from original certified tax roll provided by the Tarrant Appraisal District

**Table 6**

**City of Watauga**
**Direct and Overlapping Property Tax Rates**
**Last Ten Fiscal Years**
*(rate per $100 of assessed value)*
*(Unaudited)*

| | City Direct Rates | | | Overlapping Rates [a] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | M&O Rate | General Obligation Debt Service | Total Direct | Keller Ind School District | Birdville Ind School District | Tarrant County | Tarrant County Hospital | Tarrant County College | Combined Rates KISD | Combined Rates BISD |
| 2007 | 0.401465 | 0.179298 | 0.580763 | 1.608000 | 1.565000 | 0.271500 | 0.235397 | 0.139380 | 2.835040 | 2.792040 |
| 2008 | 0.400644 | 0.180119 | 0.580763 | 1.357400 | 1.405000 | 0.266500 | 0.230397 | 0.139380 | 2.574440 | 2.622040 |
| 2009 | 0.399918 | 0.180845 | 0.580763 | 1.416900 | 1.410000 | 0.264000 | 0.227897 | 0.137960 | 2.627520 | 2.620620 |
| 2010 | 0.419540 | 0.161223 | 0.580763 | 1.486300 | 1.405000 | 0.264000 | 0.278970 | 0.137670 | 2.747703 | 2.666403 |
| 2011 | 0.409617 | 0.171146 | 0.580763 | 1.530600 | 1.425000 | 0.264000 | 0.227897 | 0.137640 | 2.740900 | 2.635300 |
| 2012 | 0.412374 | 0.176627 | 0.589001 | 1.540000 | 1.435000 | 0.264000 | 0.227897 | 0.148970 | 2.769868 | 2.664868 |
| 2013 | 0.412107 | 0.179109 | 0.591216 | 1.540000 | 1.435000 | 0.264000 | 0.227897 | 0.148970 | 2.772083 | 2.667083 |
| 2014 | 0.410519 | 0.180697 | 0.591216 | 1.540000 | 1.435000 | 0.264000 | 0.227897 | 0.149500 | 2.772613 | 2.667613 |
| 2015 | 0.412887 | 0.178329 | 0.591216 | 1.540000 | 1.435000 | 0.264000 | 0.227897 | 0.149500 | 2.772613 | 2.667613 |
| 2016 | 0.440171 | 0.178547 | 0.618718 | 1.540000 | 1.453900 | 0.264000 | 0.227897 | 0.149500 | 2.800115 | 2.714015 |

**Source: Tarrant County Appraisal District - Tax Rates**

**Note:** Rates for debt service are set based on each year's requirements.
[a] Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.

**City of Watauga**
**Principal Property Tax Payers**
**Current Year and Nine Years Ago**
*(Unaudited)*

| | 2016 | | | | 2007 | | |
|---|---|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Rank** | **Percentage of Total City Taxable Assessed Value** a) | **Taxpayer** | **Taxable Assessed Value** | **Rank** | **Percentage of Total City Taxable Assessed Value** b) |
| Inland Western Watauga Lp | $ 32,772,354 | 1 | 3.34% | Inland Western Watauga Lp | $ 30,237,500 | 1 | 3.02% |
| Watauga Towne Crossing LLC | 24,390,298 | 2 | 2.49% | Watauga 377 LLC | 23,551,052 | 2 | 2.36% |
| Brookwillow Watauga LLC | 13,231,034 | 3 | 1.35% | Sci Watauga Town Ctr Fund Etal | 15,320,000 | 3 | 1.53% |
| Park Vista Townhomes Etal | 9,298,739 | 4 | 0.95% | Dayton Hudson Corp. | 11,658,600 | 4 | 1.17% |
| Dayton Hudson Corp. | 9,220,198 | 5 | 0.94% | Southwestern Bell | 11,201,990 | 5 | 1.12% |
| Oncor Electric Delivery Co LLC | 7,044,509 | 7 | 0.72% | Park Vista Townhomes | 8,751,260 | 6 | 0.88% |
| TVR Management, LLC | 6,195,886 | 6 | 0.63% | TXU Electric Delivery | 7,839,236 | 7 | 0.78% |
| Watauga All Storage LTD | 6,174,612 | 8 | 0.63% | Watauga All Storage | 7,188,293 | 8 | 0.72% |
| Target Stores | 5,646,843 | 9 | 0.58% | Abs Tx Investor Lp | 4,402,033 | 9 | 0.44% |
| Southwestern Bell | 4,954,493 | 10 | 0.51% | Target Stores | 4,036,425 | 10 | 0.40% |
| Total | $ 118,928,966 | | 12.12% | | $ 124,186,389 | | 12.42% |

**Source: Tarrant Central Appraisal District**

TAD.org ->reports->year->top taxpayers

**NOTE:**

a) Total taxable value including real and personal property for tax year 2016 (FY 2015-16) is $981,049,931

b) Total taxable value including real and personal property for tax year 2007 (FY 2007-2008) is $999,944,177

**Table 8**

**CITY OF WATAUGA**
**PROPERTY TAX LEVIES AND COLLECTIONS**
**Last Ten Fiscal Years**
*(Unaudited)*

| Fiscal Year | Taxes Levied for the Fiscal Year | Adjustments to Levy in Subsequent Years | Adjusted Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2007 | $ 5,792,266 | $ (11,019) | $ 5,781,247 | $ 5,710,143 | 98.77% | $ 61,312 | $ 5,771,455 | 99.83% |
| 2008 | 5,909,897 | (26,768) | 5,883,129 | 5,846,868 | 99.38% | 24,898 | 5,871,766 | 99.81% |
| 2009 | 6,022,386 | (17,925) | 6,004,461 | 5,951,703 | 99.12% | 39,074 | 5,990,777 | 99.48% |
| 2010 | 5,974,330 | (2,486) | 5,971,844 | 5,914,614 | 99.04% | 41,577 | 5,956,191 | 99.70% |
| 2011 | 5,644,747 | (1,251) | 5,643,496 | 5,590,780 | 99.07% | 30,487 | 5,621,267 | 99.58% |
| 2012 | 5,655,637 | (3,438) | 5,652,199 | 5,602,319 | 99.12% | 24,630 | 5,626,949 | 99.55% |
| 2013 | 5,644,682 | (6,692) | 5,637,990 | 5,596,849 | 99.27% | 18,983 | 5,596,849 | 99.27% |
| 2014 | 5,684,546 | (5,751) | 5,678,795 | 5,622,210 | 99.00% | 37,135 | 5,622,210 | 99.00% |
| 2015 | 5,950,064 | (9,338) | 5,940,726 | 5,903,688 | 99.38% | n/a | 5,903,688 | 99.38% |
| 2016 | 6,261,312 | - | 6,261,312 | 6,216,717 | 99.29% | n/a | 6,216,717 | 99.29% |

**Sources: Tarrant County Tax Office and Tarrant Appraisal District**

**Table 9**

**CITY OF WATAUGA**
**Water Revenue**
**Last Ten Fiscal Years**
***(Unaudited)***

| Fiscal Year | *No of Customers | **Gallons Billed | ***Water Revenue |
|---|---|---|---|
| 2007 | 8,133 | 754,349,657 | 3,478,711 |
| 2008 | 8,195 | 806,124,858 | 3,812,630 |
| 2009 | 8,196 | 782,558,167 | 3,809,973 |
| 2010 | 8,162 | 759,236,412 | 3,633,149 |
| 2011 | 8,199 | 859,158,707 | 4,198,305 |
| 2012 | 8,169 | 696,350,699 | 4,526,971 |
| 2013 | 8,160 | 684,273,847 | 4,439,701 |
| 2014 | 8,196 | 672,400,560 | 4,342,748 |
| 2015 | 8,208 | 659,047,433 | 4,184,780 |
| 2016 | 8,255 | 677,806,287 | 4,491,891 |

*Source: Table 16 - # of Water Consumers
**Source: Monthly E-mail sent by D. Defriese, Utility Billing Supervisor
***Source: Comparative Summary of Monthly Water Billings

**Table 10**

**CITY OF WATAUGA**
**Principal Water Customers**
**As of September 30, 2016**
***(Unaudited)***

| Customer Name | Gallons Consumed (000) | Total | Dollars Billed | Total |
|---|---|---|---|---|
| Park Vista Townhomes | 18,189 | 2.68% | $ 79,105 | 1.76% |
| Daybreak Venture | 5,947 | 0.88% | 38,768 | 0.86% |
| Denton Hwy Laundromat | 3,572 | 0.53% | 23,347 | 0.52% |
| Kwik Kar Wash | 2,486 | 0.37% | 17,792 | 0.40% |
| BISD 045-02 | 2,331 | 0.34% | 15,182 | 0.34% |
| BISD 045-01 | 2,313 | 0.34% | 15,156 | 0.34% |
| Pollo Tropical | 2,045 | 0.30% | 14,302 | 0.32% |
| BISD 113 | 1,711 | 0.25% | 11,235 | 0.25% |
| EIDO Properties, LLC | 1,289 | 0.19% | 8,946 | 0.20% |
| Shannon Funderal Chapel | 1,241 | 0.18% | 8,172 | 0.18% |
| Top Ten Total | 41,124 | 6.07% | $ 232,005 | 5.16% |
| **City Total** | 677,806 | | $ 4,491,891 | |

**Table 11**

**CITY OF WATAUGA**
**RATIOS OF OUTSTANDING DEBT BY TYPE**
**Last Ten Fiscal Years**
*(Unaudited)*

| | Governmental Activities | | | | | Business-Type Activities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Sales Tax Revenue Bonds | Unamortized Bond Premium | Other Obligations | Water and Sewer Revenue Bonds | General Obligation Bonds | Certificates of Obligation | Unamortized Bond Premium | Total Primary Government | Percentage of Personal Income [b] | Per Capita [b] |
| 2007 | $ 5,340,000 | $ 9,505,000 | $ 1,680,000 | $ - | $ - | $ 2,645,000 | $6,940,000 | $ 860,000 | $ - | $ 26,970,000 | 4.64% | 1,119 |
| 2008 | 4,860,000 | 8,765,000 | 1,515,000 | - | 900,080 | 0 | 8,730,000 | 660,000 | - | 25,430,080 | 4.51% | 1,053 |
| 2009 | 4,365,000 | 7,260,000 | 1,340,000 | - | 857,731 | - | 7,790,000 | 450,000 | - | 22,062,731 | 3.73% | 910 |
| 2010 | 3,965,000 | 7,090,000 | 1,165,000 | - | 813,476 | - | 6,815,000 | 230,000 | 111,599 | 20,078,476 | 3.38% | 825 |
| 2011 | 3,560,000 | 10,440,000 | 985,000 | 79,988 | 767,230 | - | 5,800,000 | 2,780,000 | 141,809 | 24,412,218 | 4.12% | 1,007 |
| 2012 | 3,190,000 | 9,895,000 | 800,000 | 74,400 | 718,903 | - | 4,740,000 | 10,380,000 | 519,658 | 29,798,303 | 5.03% | 1,268 |
| 2013 | 4,950,000 | 6,940,000 | 610,000 | 68,826 | 668,400 | - | 3,630,000 | 9,950,000 | 477,594 | 26,817,226 | 5.05% | 1,106 |
| 2014 | 4,430,000 | 9,620,000 | 415,000 | 156,516 | 615,629 | - | 2,480,000 | 9,505,000 | 435,530 | 27,222,145 | 5.14% | 1,159 |
| 2015 | 3,745,000 | 8,925,000 | - | 146,123 | 560,479 | - | 1,275,000 | 9,050,000 | 393,467 | 23,701,602 | 4.36% | 1,016 |
| 2016 | 3,045,000 | 14,120,000 | - | 327,067 | 502,847 | - | - | 8,595,000 | 351,403 | 26,589,914 | 4.89% | 1,140 |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF WATAUGA**
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**
**Last Ten Fiscal Years**
*(Unaudited)*

| | Governmental Activities | | | Business-Type Activities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Unamortized Bond Premium | General Obligation Bonds | Certificates of Obligation | Unamortized Bond Premium | Total Primary Government | Less: Amount[a] Restricted for Debt Service | Percentage of Actual Taxable Value[b] of Property | Per Capita[c] |
| 2007 | $ 5,340,000 | $ 9,505,000 | $ - | $ 6,940,000 | $ 860,000 | $ - | $ 22,645,000 | $ 572,010 | 2.21% | 938 |
| 2008 | 4,860,000 | 8,765,000 | - | 8,730,000 | 660,000 | - | 23,015,000 | 970,386 | 2.17% | 949 |
| 2009 | 4,365,000 | 7,260,000 | - | 7,790,000 | 450,000 | - | 19,865,000 | 612,710 | 1.87% | 816 |
| 2010 | 3,965,000 | 7,090,000 | - | 6,815,000 | 230,000 | 111,599 | 18,211,599 | 525,921 | 1.75% | 751 |
| 2011 | 3,560,000 | 10,440,000 | 79,988 | 5,800,000 | 2,780,000 | 141,809 | 22,801,797 | 752,606 | 2.27% | 970 |
| 2012 | 3,190,000 | 9,895,000 | 74,400 | 4,740,000 | 10,380,000 | 519,658 | 28,799,058 | 498,129 | 2.94% | 1,226 |
| 2013 | 4,950,000 | 6,940,000 | 68,826 | 3,630,000 | 9,950,000 | 477,594 | 26,016,420 | 550,626 | 2.65% | 1,115 |
| 2014 | 4,430,000 | 9,620,000 | 156,516 | 2,480,000 | 9,505,000 | 435,530 | 26,627,046 | 621,617 | 2.72% | 1,133 |
| 2015 | 3,745,000 | 8,925,000 | 146,123 | 1,275,000 | 9,050,000 | 393,467 | 23,534,590 | 313,460 | 2.28% | 1,009 |
| 2016 | 3,045,000 | 14,120,000 | 329,067 | - | 8,595,000 | 351,634 | 26,440,701 | 371,859 | 2.66% | 1,120 |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.
[a] This is the amount restricted for debt service principal payments for the total primary government.
[b] See Table 5 for property value data.
[c] Population data can be found in Table 15

**CITY OF WATAUGA**
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**
**As of September 30, 2016**
*(Unaudited)*

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable [a] | Estimated Share of Overlapping Debt |
|---|---|---|---|
| **Debt repaid with property taxes** | | | |
| Keller Independent School District | $ 771,227,959 | 3.00% | $ 23,136,839 |
| Birdville Independent School District | 256,161,620 | 7.29% | 18,674,182 |
| Tarrant County | 333,795,000 | 0.75% | 2,503,463 |
| Tarrant County Hospital County | 23,440,000 | 0.75% | 175,800 |
| Subtotal, overlapping debt | | | 44,490,283 |
| **City direct debt** | | | 17,996,914 |
| **Total direct and overlapping debt** | | | $ 62,487,197 |

**Sources:** Debt outstanding data provided by each governmental unit.
[a] For percentage of debt applicable to City, data prepared by the Municipal Advisory Council of Texas.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**Table 14**

**CITY OF WATAUGA**
**PLEDGED-REVENUE COVERAGE**
**Last Ten Fiscal Years**
*(Unaudited)*

| | | Water and Sewer Revenue Bonds | | | | | | PDC Sales Tax Revenue Bonds[c] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | | Total Revenues[a] | Less: Operating Expenses[b] | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage | Total Revenues[a] | Less Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage |
| 2007 | | $ 6,582,387 | $ 4,867,495 | $ 1,714,892 | $ 230,000 | $ 127,290 | 4.80 | $ 1,298,971 | $ 601,253 | $ 697,718 | $ 165,000 | $ 52,386 | 3.21 |
| 2008 | d | 7,006,217 | 5,264,881 | 1,741,336 | 2,645,000 | 61,230 | 0.64 | 1,351,870 | 716,715 | 635,155 | 165,000 | 48,880 | 2.97 |
| 2009 | d | - | - | - | - | - | - | 1,265,352 | 627,100 | 638,252 | 175,000 | 44,946 | 2.90 |
| 2010 | | - | - | - | - | - | - | 1,314,130 | 632,039 | 682,091 | 175,000 | 40,461 | 3.17 |
| 2011 | | - | - | - | - | - | - | 1,409,944 | 763,885 | 646,059 | 180,000 | 35,355 | 3.00 |
| 2012 | | - | - | - | - | - | - | 1,418,979 | 756,666 | 662,313 | 185,000 | 29,880 | 3.08 |
| 2013 | e | - | - | - | - | - | - | 708,356 | 702,898 | 5,458 | 190,000 | 24,136 | 0.03 |
| 2014 | | - | - | - | - | - | - | 748,342 | 697,423 | 50,919 | 195,000 | 17,950 | 0.24 |
| 2015 | f | - | - | - | - | - | - | 789,696 | 596,121 | 193,575 | 415,000 | 4,052 | 0.46 |
| 2016 | | - | - | - | - | - | - | - | - | - | - | - | - |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Source: Comprehensive Annual Reports and Official Statement

[a] Includes operating and non-operating revenues

[b] Excludes depreciation, amortization, interest expense and expenditures identified as capital

[c] Bonds are solely supported by a 1/2 cent sales tax approved at an election held in May, 1994 for the purpose of the City Parks and Recreation.

[d] In April, 2008, the City issued $2,430,000 in GO Refunding Bonds to refund $2,400,000 of outstanding Series 1996 Waterworks and Sewer System Revenue Bonds.

e In May, 2012, voters approved a reallocation of 1/4 cent sales tax to the Street Maintenance Fund for a period of 4 years, effective October 1, 2012. The fund balance in the PDC operating fund is sufficient to pay off the remainder of the bond.

[f] Final Debt Service payment made in FY2015

**Table 15**

**CITY OF WATAUGA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**Last Ten Calendar Years**

**(Unaudited)**

| Year | Population(1) | Personal Income (thousands of dollars) (2) | Per Capita Personal Income(3) | Median Age(4) | School Enrollment(5) | Unemployment Rate(6) |
|---|---|---|---|---|---|---|
| 2007 | 24,150 | $ 563,903 | $ 23,350 | 31.0 | 4,593 | 4.1% |
| 2008 | 24,250 | 591,870 | 24,407 | 32.0 | 5,396 | 3.3% |
| 2009 | 24,350 | 594,310 | 24,407 | 32.0 | 4,428 | 4.9% |
| 2010 | 24,250 | 591,870 | 24,407 | 32.0 | 3,735 | 8.1% |
| 2011 | 23,497 | 530,868 | 22,593 | 32.5* | 4,864 | 8.5% |
| 2012 | 23,497 | 529,387 | 22,530 | 32.9 | 4,852 | 7.9% |
| 2013 | 23,331 | 543,776 | 23,307 | 34.5 | 4,933 | 7.0% |
| 2014 | 23,510 | 536,240 | 22,809 | 33.5 | 4,755 | 5.8% |
| 2015 | 23,331 | 556,351 | 23,846 | 33.7 | 4,529 | 5.0% |
| 2016 | 23,600 | 593,469 | 25,147 | 34.7 | 3,851 | 4.1% |

Sources: (1)Year 2010 Population is official U.S. Census Bureau count. Other population estimates from U.S. Census Bureau and NCTCOG annual population estimates. (2) Per Capita income obtained from Sourcebook of Zip code Demographics and Easy Analytic Software Inc (EASI) and Applied Geographic Solutions (AGS) for years 2002-2010. 2011-2016 Per Capital Income from U.S. Census Bureau American Fact Finder. (3) Per Capita personal income calculated by dividing PIT(2) by Pop(1). (4) Median Age from 2010 Census, U.S. Census Bureau American Fact Finder. (5) School Enrollment provided by Birdville and Keller Independent School Districts (6) Unemployment Rates from Texas Workforce Commission - 2016 based on www.bestplaces.net

**Table 16**

**CITY OF WATAUGA**
**PRINCIPAL EMPLOYERS**
**Current Year and Nine Years Ago**

| | 2016 | | | 2007 | | |
|---|---|---|---|---|---|---|
| Employer | Employees (1) | Rank | Percentage of Total City Employment(2) | Employees (1) | Rank | Percentage of Total City Employment (3) |
| Birdville ISD | 242 | 1 | 4.16% | 200 | 3 | 3.10% |
| City of Watauga | 175 | 2 | 3.01% | 190 | 4 | 2.95% |
| Target | 150 | 3 | 2.58% | 280 | 1 | 4.34% |
| Albertson's | 150 | 4 | 2.58% | 190 | 5 | 2.95% |
| North Pointe Health & Rehab | 100 | 5 | 1.72% | 122 | 6 | 1.89% |
| Harvest Baptist | 93 | 6 | 1.60% | 210 | 2 | 3.26% |
| Cotton Patch Café | 75 | 7 | 1.29% | 50 | 10 | 0.78% |
| Keller ISD | 64 | 8 | 1.10% | 90 | 7 | 1.40% |
| Fresco's | 60 | 9 | 1.03% | 80 | 8 | 1.24% |
| Chili's Grill & Bar | 56 | 10 | 0.96% | 80 | 9 | 1.24% |
| Total | 1,165 | | 20.04% | 1,492 | | 23.14% |

**Source:**
(1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually

(2) For 2016, used NCTCOG estimates of 5813 obtained from the Bureau of Economic Analysis and U.S. Census Burean, analyzed by NCTCOG.

(3) For 2007 City Employment is estimated at 6447 obtained from Sites on Texas, Demographic data for 2006 by Experien /Applied Geographic Solutions

**Table 17**

**CITY OF WATAUGA**
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,**
**Last Ten Fiscal Years**
**(Unaudited)**

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Government and Administration | 28.75 | 29.75 | 30.00 | 30.00 | 30.50 | 31.50 | 30.25 | 31.25 | 31.65 | 31.65 |
| Public Safety | | | | | | | | | | |
| Police Division | 54.25 | 58.75 | 58.75 | 58.75 | 59.25 | 59.25 | 51.75 | 49.75 | 49.85 | 49.85 |
| Fire/EMS Division | 21.50 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 21.25 | 21.00 | 21.00 | 21.00 |
| Culture and Recreational | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.25 | 9.25 | 8.50 | 8.50 |
| Library | 12.75 | 13.25 | 13.25 | 13.25 | 13.25 | 13.25 | 13.00 | 13.00 | 12.00 | 12.00 |
| Water/Sewer/Drainage | 33.75 | 33.75 | 33.75 | 33.75 | 34.25 | 34.25 | 36.00 | 36.00 | 33.25 | 33.25 |
| Fleet Services | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Building | 6.00 | 7.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 7.00 | 7.00 | 7.00 |
| Parks Development | 10.50 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 | 12.00 | 12.00 | 8.75 | 8.75 * |
| Total | 181.00 | 190.50 | 191.75 | 191.75 | 193.25 | 194.25 | 185.50 | 182.25 | 175.00 | 175.00 |

Source: City Budget Office.

* Decreased positions due to a shift to contract labor in the Parks Department in fiscal year 2015.

**Table 18**

**CITY OF WATAUGA**
**OPERATING INDICATORS BY FUNCTION/PROGRAM**
**Last Ten Fiscal Years**
**(Unaudited)**

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Police | | | | | | | | | | |
| Calls for Service | 23,591 | 11,726 | 13,532 | 16,804 | 13,560 | 10,976 | 9,993 | 8,127 | 6,565 | 8,279 |
| Municipal Citations Issued | 10,468 | 15,115 | 8,792 | 11,963 | 17,122 | 17,074 | 13,576 | 8,650 | 7,961 | 8,781 |
| Fire/EMS | | | | | | | | | | |
| EMS Calls | 1,202 | 1,375 | 966 | 1,082 | 836 | 1,043 | 1,011 | 675 | 1,133 | 1,395 |
| EMS Average Response Time (min) | 3.97 | 4.00 | 3.31 | 3.50 | 3.50 | 3.40 | 3.50 | 3.20 | 3.60 | 3.47 |
| Ambulance Transports | 806 | 1,030 | 743 | 870 | 698 | 848 | 845 | 846 | 946 | 1,039 |
| Fire Calls | 431 | 430 | 652 | 690 | 557 | 392 | 693 | 675 | 815 | 759 |
| Fire Average Response Time (min) | 4.10 | 4.00 | 3.58 | 2.58 | 4.70 | 4.80 | 4.60 | 4.80 | 413.00 | 4.07 |
| Fire Inspections | 65 | 75 | 198 | 269 | 106 | 136 | 181 | 460 | 329 | 336 |
| Public Works | | | | | | | | | | |
| Lane Miles Maintained | 84 | 84 | 84 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| Miles of Curb and gutter maintained | 168 | 168 | 168 | 168 | 168 | 176 | 176 | 176 | 176 | 176 |
| Parks and recreation | | | | | | | | | | |
| Park Acres Maintained | 116 | 116 | 116 | 119 | 119 | 119 | 119 | 119 | 119 | 119 |
| Athletic Fields Maintained | 8 | 13 | 13 | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| Community Center Memberships | 2,300 | 2,800 | 1,267 | 1,372 | 1,237 | 1,320 | 1,272 | 1,271 | 1,063 | 1,004 |
| Program/Class/League Attendance | 40,741 | 77,000 | 56,430 | 40,938 | 65,282 | 91,244 | 41,775 | 71,542 | 46,720 | 65,005 |
| Library | | | | | | | | | | |
| Number of Programs Offered | 355 | 380 | 655 | 693 | 842 | 853 | 1,086 | 1,155 | 1,144 | 1,244 |
| Number of School Visits | 8 | 8 | 18 | 8 | 13 | 36 | 57 | 63 | 64 | 61 |
| Number of Books in Collection | 58,147 | 62,131 | 62,150 | 65,517 | 67,614 | 65,289 | 73,592 | 78,990 | 80,361 | 79,751 |
| Number of Media in Collection | 12,037 | 14,007 | 15,247 | 16,389 | 17,199 | 16,700 | 18,806 | 20,806 | 20,719 | 22,530 |
| Electronic Format Materials | 58 | 58 | 85 | 53 | 53 | 54 | 52 | 55 | 52 | 52 |
| Ebooks & Audiobooks | - | - | - | - | - | 11,674.00 | 13,524 | 12,632 | 20,253 | 23,765 |
| Water and Sewer | | | | | | | | | | |
| Number of Water Consumers | 8,133 | 8,195 | 8,181 | 8,162 | 8,199 | 8,169 | 8,200 | 8,196 | 8,508 | 8,238 |
| Average daily consumption (mil gal) | 2 | 2 | 2 | 2 | 2 | 2 | 2.3 | 2.1 | 2.2 | 2.2 |
| Amt of sewer line inspected (Linear Ft) | 10,000 | 10,000 | 10,000 | 3,500 | 3,800 | 6,000 | 8,000 | 21,500 | 9,665 | 8,000 |

**Sources:** Various city departments.
**Note:** Indicators are not available for the general government function.

**Table 19**

**CITY OF WATAUGA**
**CAPITAL ASSETS BY FUNCTION/PROGRAM**
**Last Ten Fiscal Years**
**(Unaudited)**

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 12 | 12 | 12 | 12 | 11 | 12 | 12 | 12 | 12 | 12 |
| Animal Control Facility | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | | | | | | |
| Streets (miles) | 85.0 | 85.0 | 85.0 | 85.0 | 88.0 | 88.0 | 88.0 | 88.0 | 88.0 | 88.0 |
| Streetlights | 703 | 703 | 703 | 703 | 703 | 703 | 703 | 703 | 703 | 703 |
| Traffic signals | 11 | 11 | 11 | 11 | 11 | 11 | 12 | 12 | 20 | 20 |
| Parks and recreation | | | | | | | | | | |
| Acreage (Developed & Undeveloped)[a] | 124 | 124 | 124 | 124 | 124 | 124 | 124 | 124 | 124 | 124 |
| Parks | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Athletic Fields | 8 | 8 | 8 | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| Senior Centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | 85.0 | 85.0 | 85.0 | 85.0 | 85.0 | 85.0 | 85.0 | 88.0 | 88.0 | 88.0 |
| Fire hydrants | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 650 | 649 | 649 |
| Storage capacity (thousands of gallons) | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Shared Ground Storage (owned by NRH) | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Wastewater | | | | | | | | | | |
| Storm sewers (miles) | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 |
| Sanitary sewers (miles) | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 |

**Sources:** Various city departments.

[a] In FY98 & FY99, sold 60 acres to large retail establishment